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West Europe Report

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DANKERT ON EC PROBLEMS, FRENCH CHAIRMANSHIP

Paris LE MATIN in French 18 Jan 84 p 14

[Interview with Piet Dankert, president of the European Parliament, by Nina Sutton; date and place not specified]

[Text] For France, holding the chairmanship of the European Parliament for six months, after the fiasco in Athens, is a bit like receiving the poisoned apple! Today Claude Cheysson is to present to the European Parliament the broad lines of what it is hoped will be achieved under this chairmanship. And LE MATIN asked Dutchman Piet Dankert, who has presided over the Parliament for 2 years, whether he feels it is possible to emerge from the impasse.

[Question] What do you foresee for the French chairmanship?

[Answer] I believe that in Athens the French government proved that it is indeed European. However, a chairmanship is judged by its work and it is difficult to be optimistic when the problems are so enormous: how to resume discussion of the big Athens package, to settle the matter of individual resources, to economize in common agricultural policy, to settle the matter of the British credit frozen by the Parliament, etc. And all this as European elections approach. No, I see no quick way out.

[Question] Do you think that the appointment of Roland Dumas, a full time minister to handle European affairs, this time will facilitate matters?

[Answer] In the delicate negotiations leading up to a European Council, one is always confronted with the same problem: on the one hand, the heads of state or their prime ministers do not have the time to make the rounds of the European capitals to try to resolve last minute difficulties but, on the other hand, these problems cannot be settled at the technical adviser level. It is a problem of authority: there must be direct access to the final authority and I feel that in this regard your new minister of European affairs will find his role greatly facilitated. From another point of view, also, I feel that Roland Dumas' appointment will be very useful. Take the Athens Summit, where at one point it was thought that an agreement on compensatory sums had been worked out between France and Germany. The truth was that when Mr Cheysson

agrees on a certain point with his counterpart Mr Genscher, he does not always know whether Mr Rocard might have come to a different agreement on the same matter with Mr Kiechle. It is therefore essential for all of the problems to be placed in the hands of an official who will have the authority to make decisions himself.

[Question] But, after the Athens failure, and with a budget which includes agricultural cuts which were not decided upon at the summit, what can France do now to avoid a crisis?

[Answer] Exactly. At least the Greek and German chairmanships were able to negotiate during a period of adequate resources. While France, in assuming the chairmanship, can already see that even if the commission manages to economize a bit in the agricultural policy, we will still be short by a considerable sum at the end of the year--on the order of 2.5 billion ECU's (some 17 billion French francs). It will therefore be in the interest of certain countries to delay negotiation of matters troubling them in order to bring them up when things will be the worst--as, for example, England and the joint agricultural policy. Making progress on the key issues during the first 6 months of the year is therefore going to be particularly difficult.

[Question] So, is the Common Market doomed and are we headed, as some maintain, toward a type of improved free trade?

[Answer] That does not make sense. It is foolish to think that a free market can be maintained without a common agricultural policy. No, a free trade zone is only possible in a period of prosperity. Besides, our greatest problem is not agriculture: it is the lack of industrial modernization, the ground we are losing when we see the growth rates in the United States (not to mention Japan and the newly industrialized nations). And this problem cannot be settled in a market where ten nations are each establishing their own standards for new technologies while their American or Japanese competitors have their own tremendous market which serves them as a base for penetrating the European market. When I think about how the people at Philips recently explained on Dutch television that they now need European protection for their videodiscs! Nevertheless, Philips is generally considered to be the prototype of the great multinational that can survive without the states.

[Question] But what is to be done then?

[Answer] First of all, it is necessary to prove that despite Athens, Europe can still function. And, to begin, that the French as chairman do everything possible to see that the Council of Ministers provided for under the Treaty of Rome resumes making decisions without waiting for all the problems to be settled at European summit meetings.

[Question] You are very hostile toward the European Councils set up by Giscard?

[Answer] Very hostile, no. I think they are useful in obtaining an overall view of problems from time to time. There are sometimes considerations of overall policy, of geopolitics, which must determine the nature of a compromise and this is not within the scope of specialized councils. However, I am against the automatic nature of these summit meetings which are held three times a year because they paralyze decisionmaking by the Council of Ministers--since the heads of state are going to meet in a few months, let's let them decide; and it is in this way that, as in Athens, prime ministers who can hardly distinguish a cow from a bull are asked to determine the number of kilos of milk that a cow should produce!

[Question] But, how is France to succeed where the others have failed?

[Answer] Here again, it is a question of authority. In Athens, as far as the ministers of the "big three" were concerned, it was still the "little guy" who was presiding. Besides, the problem is going to come up again in 6 months: just imagine an Irish chairman forcing the British to compromise on agricultural policy! But, there is also the fact that France and Gaullist notions serve as an excuse each time that a country wants to place its interests ahead of Europe's. This is why I think that it would be very important if the French were to agree that the decisions in the Council of Ministers finally be made by the majority. Take ESPRIT¹, for example, a project which is essential to our industry. Everyone agrees on the project in principle, but all it took was a comment from the Germans on a new funding problem for the decision to be postponed. This is no longer possible: and it is in this area that I expect a little pressure from the French chairman so that we do indeed return to the procedures provided for in the treaties and the specialized councils go back to doing their job. It is a matter of our future, as Michel Albert's report shows.²

[Question] But, can we actually emerge from the impasse when, on the issue of a common agricultural policy, in other words the Common Market's only real large-scale achievement, we have Great Britain, who genuinely feels cheated, face to face with France where, due to fear of the farmers' anger, the subject is taboo?

[Answer] Of course, it is incredible for a Europe which can do little for its 12 or 13 million unemployed to be concerned with its farmers at this point. Nevertheless, if steps (quotas or lowering prices) are not taken quickly in the agricultural area, we will be renegotiating the entire common agricultural policy in the middle of a financial crisis, which could make it break apart--with much more catastrophic consequences for the farmers. Therefore, even if the subject is taboo, it is going to have to be broached. As for the British position, while it is true that the English have not profited from the Common Market as much as the first six members of the EEC, it is not our fault: first of all, they did not really want to join it; then, when they did, they experienced the financial consequences that this would entail. And the problem is that the exception made for them³ resulted in a sort of proliferation of the mentality that: "I should get as much as I am paying." In fact, this calculation that all the ministers of finance have a tendency to perform these days is absolutely ridiculous: what the Community offers its members in macroeconomic terms exceeds their financial contributions to a considerable extent no matter how high they are. And here again we are counting a great deal on the French government to dispel this attitude. For men such as Cheysson, Delors or Rocard are very aware of the importance of the Community to France.

[Question] Of course, the Socialists have always been very pro-European.

[Answer] This is true, but it is remarkable to note how little the positions of the countries change no matter what their government's party. In this case, the agricultural problem is still a primary consideration for France. On the other hand, a Socialist government will probably be more concerned about the North-South problem--one of the great failures at Athens which has not been discussed much--than a rightwing government. While France is still a Mediterranean country with interests to defend in this region, which explains its often ambivalent attitude.

[Question] In this crisis atmosphere in Europe, how do you see the June elections? At the time of your election you were so sure of strengthening the powers of the European Parliament--what do you have to say about this 2 years later?

[Answer] As president, one is always a little more modest. This is normal. In any case, I find that, following a few skirmishes at the beginning, the Parliament is functioning quite well--what we did with Michel Albert, the development policy adopted for Lome 3 by Pisani which takes up many parts of the discussion on world hunger that we had, etc. I feel that in a way we are a tool to slow down the decay, the defeat and the disillusionment which are rampant in Europe now. At the same time, I feel that the Parliament must have greater flexibility and especially that we in Strasbourg accustom ourselves to the fact that we are a Parliament without a government which implies a totally different manner of operation. Nevertheless, in order to have the prospect of seeing our powers increase, even in a limited manner, electoral participation in June must be at least equal to that of 1979. For, we can only function if we have a relationship with the electorate.

[Question] But, Strasbourg is far away. How do you do it?

[Answer] The political parties are obviously the go-betweens. However, although they all have nice programs for Europe, I do not know one which has truly integrated the European dimension into its operations. I do not know one to whom its European delegates are as important as its national parliament members. Each time that something is achieved in Europe, the national governments claim it for their own account and each time that things are not going very well, it is Brussels' fault. Nevertheless, with the crisis things may change. After the French experience in 1981 and the pacesetting German experiment in 1978, one is quite obliged to face the facts: no one thing alone is capable of assuring growth. In the end, it seems to me, this discovery should make everyone understand the need for joint efforts.

FOOTNOTES

1. Program for European cooperation in state-of-the-art electronics research.
2. Report commissioned from the former French planning commissioner on economic recovery in the 80's on which his book "Un pari pour l'Europe" [A Challenge for Europe] was based.
3. A sizeable rebate granted to Great Britain on its contribution to the Community budget which it would like to see institutionalized.

COMMUNIST NEWSPAPER AT CENTER OF STRIFE GETS NEW EDITOR

Ilkka Lappalainen Named to Post

Helsinki HELSINGIN SANOMAT in Finnish 18 Jan 84 p 9

[Article: "SKP's Weekly Newspaper Got Its Editor-in-Chief"]

[Text] The editor-in-chief of HAMEEN YHTEISTYO in Tampere, Ilkka Lappalainen, was named as the editor-in-chief of YHTEISTYO, the new weekly of the Communist Party (SKP) on Tuesday.

The board of directors of YHTEISTYO made a unanimous decision on the appointment which had been under discussion for a long time. However, the issue will be confirmed by the central committee for SKP at the end of February.

Lappalainen, who is on leave of absence from HAMEEN YHTEISTYO till the representative meeting in May, succeeds Paavo Ruonaniemi as editor-in-chief of YHTEISTYO. Ruonaniemi, who returned to the foreign department of KANSAN UUTiset, resigned from the post in the beginning of the year, fed up with the difficulties raised by the election of the editors for the newspaper.

Secretary of public relations Oiva Bjorkbacka, who is in the majority of SKP, was elected chairman of the board of editors. Lappalainen is considered to belong to the "Kajanoja Faction" which is also approved by the ultra-leftist minority of SKP. Already last fall there were plans to make him the chief of YHTEISTYO.

In December SKP's Tampere district, which is controlled by the minority, and SKDL's district organization of Pohjois-Hame that publishes HAMEEN YHTEISTYO reached an agreement on the basis of which SKP's district decided to participate in publishing the newspaper. The agreement guarantees that two minority members of parliament will be featured in the newspaper, but SKDL's district organization will hold the stock majority.

The board of directors met without its minority members. Also the election of Bjorkbacka to the leadership of the board of editors "against the newspaper's bylaws" annoyed the minority. According to the majority, the board of directors has the right to name the associate organs it needs. The board of editors consists of Bjorkbacka and the editors of the newspaper. The election of additional editors was postponed.

Paper Presents Stand

Helsinki YHTEISTYO in Finnish 18 Jan 84 p 3

[Editorial: "The Policy of YHTEISTYO"]

[Text] The YHTEISTYO newspaper has been a subject of vivid interest in the nation's media. At times this has seemed even incommensurate with regard to our newspaper's position as a theoretical political organ of SKP. Unfortunately, one has to say that so far we have not been able to draw this kind of attention with the contents of our newspaper as desirable as it would be.

The interest is aimed at the state of the party itself and its development in connection with the approaching representative meeting. The foundation of the YHTEISTYO newspaper is naturally an essential part of the party's attempt to create real cooperation within the party. This was also the central committee's goal last September as the decision on publishing a new newspaper was being made in order to replace KOMMUNISTI and PAIVAN POSTI which had been discontinued.

The latter part of the central committee's decision--a recommendation to merge the new party organ with TIEDONANTAJA which is supported by some of the party's district organizations and published by the Tiedonantaja Society--has further divided the members of the party and also our friends within SKDL. What is significant is that TIEDONANTAJA has published comments and opinions in which it is assured that also in the future TIEDONANTAJA will be published separately. It just so seems that not even TIEDONANTAJA will now be enough for all those who have supported it up to now.

In Pohjanmaa the TYOVAEN POHJANMAA newspaper, which was published earlier mainly as Sten Soderstrom's election newspaper, is being marketed as a parallel publication to KANSAN AANI and SKP's YHTEISTYO and TIEDONANTAJA, too, that can be subscribed to.

If this kind of separate actions expand further, soon there seems to be nothing left of the implementation of the recommendation which was included in the central committee's press decision. It seems that there is certain jealousy even in the editorial offices of KANSAN UUTiset and some provincial newspapers, too, while YHTEISTYO is being underestimated.

All those who want real unity and success for SKP should, however, seriously think about what kind of a communist party we want to be developing and how each of us could help in overcoming the internal difficulties of our party.

YHTEISTYO opens up its columns for this kind of contemplations and looks forward to comments. Now it is time to discuss. The representative meeting is the place to draw conclusions. May the decisions made in the representative meeting be the law for everyone.

12190

CSO: 3617/82

ND CHARGES POLITICIZATION OF SECURITY CORPS

Athens I KATHIMERINI in Greek 27 Jan 84 p 3

[Text] Next Monday in the Ministry of Public Order, there will take place under the chairmanship of Mr. I Skoularikis, a conference during which there will be a discussion on the bill prepared by the Ministry of Public Order regarding the unification of the security corps and which, according to reports, will be introduced in the Chamber of Deputies in February.

There will participate in the conference the commanding and ranking officers of the Cities Police, the Gendarmarie and the Fire Corps, who will be asked to present their opinions on the various articles of the bill with a view to its subsequent markup on the premise, of course, that the amendments will not be contrary to the administration's policy.

In the meantime, the ND parliamentary caucus on Public Order, in a statement issued yesterday, pointed out that Mr. Skoularikis, "with Goebels-like fabrications, allowed the bill for the unification of the security corps to leak out."

Mr. Skoularikis

Minister of Public Order, Mr. I. Skoularikis, in referring to the text of the bill on the unification that was published in certain dailies issued the following statement:

"Many of today's newspapers have published texts that appear as the new organizational break-down of the Ministry of Public Order. As I stated a few days ago in the Chamber of Deputies and to the reporters in the ministry, what was circulated from time to time constituted plans on which various task forces of the ministry were working in order to prepare the final text of the bill.

"The bill has not yet been definitely formulated and all its articles are subject to continuous review and, therefore, changes.

"We categorically state on this occasion that none of the reports that were published expresses the final ideas and views of the ministry on the subject.

"The reorganization of YDT [Ministry of Public Order], which is necessary, is the object of extensive and responsible study. Only the following can be considered as definitive:

1. There will be legislation on a series of regulations that will improve the development and the benefits of all personnel, ranks and officers.
2. The insurance structures and the benefits that the personnel of the security corps receive from them are not going to be affected.
3. The fragmentation and irregular organization of the security corps will be brought to an end in order to obtain a proper, modern and effective police force with the least possible expenditure.
4. Finally, the reports regarding the individuals considered for the position of commandant of the new corps are totally incorrect.

"With regard to the final text of the bill, it will be made public when the government has completed it and, until it has been approved, the personnel and the Greek people will have the possibility to express their views and ideas, which will be evaluated."

The ND

The ND parliamentary caucus on Public Order issued the following statement:

"The unjustified insults of the minister of Public Order about the men of the Security Corps are still fresh and the attempt by the government to slander them was clear.

"The insults and characterizations were devious because, as it was discovered, they were meant to prepare the ground for the total politicization of the Corps.

"It let the security corps unification bill leak out with Goebels-like fabrications. It thus made known its intentions and laid bare its aims: to convert, with numerous hirings of 'Green Guards' and by the concurrent separation of those now in service, who are not acceptable to PASOK, the security corps into a Corps of Praetorian Guards

"The attempted disbanding of the security corps by means of the totalitarian-inspired madatory law--because, in fact, it is a matter of a mandatory law--and the constitution of a police corps with the 'unforgettable' title of 'ELAS' (Greek Police) [original acronym of ELAS is National People's Liberation Army, the KKE's armed units], demonstrates the government's total belief in parliamentary democracy!

"The manifest attempt of the government to control, in a partisan way, the basic facets of public life once more reveals its future intentions, intentions which even its most favorably disposed supporters can perceive.

"New Democracy denounces the government for its devious act, the extent of which is not diminished by the effort of the minister of Public Order in his statements that the published bill is not the same as the one that will eventually be introduced in the Chamber of Deputies

"It also calls on the government to let the security corps be a true Security Corps by solving their basic problems and by getting rid of those responsible for their difficulties, the hired party hacks."

Political observers, in commenting on the statement of Mr. Skoularikis, pointed out that the minister is trying to "sugar-coat the pill" of the Security Corps personnel with the by now definite revelation of his intentions to disband them and to create a single Police Corps capable, because of the military structure which it will have, of supporting even dictatorial regimes.

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CSO: 3521/165

MINISTERIAL ADDRESS TO SECURITY CORPS OFFICERS

Athens I KATHIMERINI in Greek 31 Jan 84 pp 1,3

[Text] Approximately 600 officers of all ranks of the Gendarmerie, the Cities Police and the Fire Corps attended a briefing on the subject of the reorganization of the Ministry of Public Order, which took place yesterday in the hall of the Subdirectorate of the Athens Mechanized Units. Minister of public Order, Giannis Skoularikis spoke at the meeting and pointed out, once more, that the times demand a new type of police.

"We do not live in 1833 or 1920 anymore," he said. "The type of police we are planning must meet not only today's needs, but also those of the decades to come.

"While the contemporary tendency, on an international level is towards a unified police, maneuverable and equipped with all the modern technological means, we have reached the point, because of fragmentation and improper organization, of having a higher proportion of police to population, while, at the same time, this tremendous force is considered insufficient.

"For this reason, we came to the conclusion, after a long and extensive study, that a new police corps must be created to meet the demands of the times on the one hand and on the other, be able to meet the social problems of the future."

No Final Plan Exists

In referring to the recent press reports regarding the reorganization of the Ministry of Public Order, Mr. Skoularikis pointed out the following:

There is no final organizational plan and, therefore, all reports being published or circulated do not reflect the views of the ministry in any way.

As minister, he has only given guidelines to the various task forces that are working out the details for the specific areas of the organization.

These guidelines are as follows: Unified police encompassing all police work, abolishment of overlapping services, simplification of proceedings, lowering of ranks and the improvement of the development and working conditions of the personnel.

The personnel of the present Cities Police should not worry because the aim of the new organization is to strengthen the policing of Attiki by transferring the force from the province to the capital.

The new corps will have neither a military nor a civilian identity, but a different character of its own, that is police. Furthermore, it is known that this special character received legislative sanction under Law 1339/82.

The personnel of the present Fire Corps is free to choose to remain as it is today, but, of course, it will not receive the benefits that it would have under the new organization and it is highly probable that it soon will be placed under the jurisdiction of the local self-government.

All members of the Security Corps are requested to submit their views, either through channels or directly to the minister himself, signed or even anonymously. These will be reviewed and evaluated in order to give the Greek people the best possible police corps, which will have the most maneuverability and effectiveness at the lowest possible cost. This will mean better working conditions for the personnel, more technical means available to it and better remuneration.

A similar meeting to that of the officers, exclusively for the lower ranks of the Gendarmerie, Cities Police and Fire Corps personnel, will take place next Thursday at the same location.

Mr. I. Pesmazoglou

KODISO [Democratic Socialism Party] president, Mr. Giangos Pesmazoglou issued the following statement: "The reorganization of the Security Corps is a significant and, at the same time, delicate issue and whatever governmental action is to be taken in that direction must be examined globally, not only with the participation of the representatives of the Corps directly affected, but in agreement with all political parties. Thus, the broadest possible consensus will be ensured and generally accepted solutions will be offered in order to avoid damaging partisan opposition.

"What has been published or circulated in the past few days about a new seniority scale, about hiring civilians without competitive examinations and with unknown criteria for the security corps units as well as the reactions, which have already become manifest, damages the operations of the forces that are responsible for public order and safety.

"The government has the obligation, before it introduces any bill, to explain the general concept of the changes it seeks and to bring up for public debate the main problems with regard to the reorganization of the Security Corps. The evident haste, the secretiveness and the irresponsible rumor-mongering inevitably create upheaval, concern and antagonism. Any regulation affecting the independence of the security corps in carrying out their legitimate mission and that would allow the possibility of party control or intervention is unacceptable."

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CSO: 3521/165

LUBBERS REVIEWS 1983, LOOKS AHEAD

Amsterdam ELSEVIERS MAGAZINE in Dutch 24 Dec 83 pp 12-17

[Interview with Prime Minister Ruud Lubbers in the General Affairs Office in the parliament building in the Hague, by Frank Lafort and Pierre Huyskens: "In August Something Went Wrong"; date not given; passages enclosed in slantlines, printed in italics]

[Text] Van de Scheur should have played a better game; then another percentage in net reductions of civil servants salaries could have been discussed via decent negotiations. This is the opinion of Prime Minister Lubbers, who is not dissatisfied in looking back on a politically turbulent year.

Following a brisk start, by the end of 1983 the government train conducted by the Lubbers/Van Aardenne duo seems to be slowing down. The 1 year old administration has incurred the anger of a large part of the union movement. In the Second Chamber the opposition is raising a hue-and-cry about not being listened to. A campaign which is not completely devoid of some success. In the opinion polls the PvdA [Labor Party] has rolled high numbers, whereas the government parties have been forced to give up a large number of seats. And yet, the CDA [Christian Democratic Appeal] and the VVD [People's Party for Freedom and Democracy] have just begun with the implementation of the detailed government agreement. Sizable budget cut operations are also on the books for 1985 and 1986. Can the current administration with this policy remain popular with ~~the~~ electorate?

Prime Minister Ruud Lubbers, seated under a portrait of the liberal statesman Thorbecke, in the turret room of the General Affairs Office in the parliament building in the Hague, recalled the beginning of his administration in the fall of 1982 with some sadness. The famous agreement whereby workers and employers had agreed on a shortening of working hours, had just come about at the Foundation of Labor. A little later, according to the prime minister, "in December 1982 the Second Chamber accepted sizable savings at a rapid rate as inevitable. This speed in decision making looked good after a long period of indecision. There was a certain element of surprise in this parliamentary operation. And we saw no sign of vital criticism of our policy intentions. On the contrary: we received many positive reactions, not in the least in the media, as a result of our government declaration. A great deal of discussion did take place about this in the Second Chamber, with the opposition as well. At that time already its arguments -- and they have not

changed much -- did not seem to cut any ice. Because from the very beginning the opposition was unable to convince, it started out-shouting itself. As a matter of fact, this is not a sign of despair but clearly an electoral strategy."

[Question] How would you characterize that strategy?

[Answer] I would like to call it the Van Dam doctrine. It consists of the following: appeal to dissatisfaction; predict that there will be trouble, as a result of which there really is trouble; engage in casuistry, that is to say: a dramatic oral presentation of exceptional cases, as a result of which these isolated cases indeed do get across poignantly to the public at large, that is to say the electorate. This strategy was gradually filled out by the unions with the suggestion that this administration was not willing to enter into any dialogue. This suggestion is wrong: we are indeed willing to enter into all kinds of dialogues; only, at a given moment you have to make a choice. We have made a choice in favor of recovery of the national economy and employment. Under today's circumstances we find this eminently social. We accept the fact that these difficult decisions make us, as an administration and government coalition, vulnerable from an electoral point of view.

[Question] A number of knots were also cut in the Spring Memorandum. Even then the government policy was still rated highly in public opinion polls. Where, in your opinion, lies the break between popular and unpopular for this administration?

[Answer] The first real ripples showed up during the past political season, with the publication of the Spring Memorandum. On that occasion Minister Ruding made reductions as it were in the budgetary cuts which he had been promised. At that time, our reasoning was: it is better to implement a single tough measure in January 1984 rather than two, let us say, half measures on 1 July 1983 and on 1 January 1984. Dr Peter Maas (director of the Center for Parliamentary History) noted in a number of publications that the Spring Memorandum should not be misused, as did happen in the past. Well, we didn't misuse it, because the proposed tough measures will become effective only as of 1 January 1984. Last summer, the unions' appeal to the government not to erode the workers' pay again with higher taxes and heavier social contributions, also had an effect. The argument for this was that otherwise the unions could not successfully promote the process of reduction of working hours and work distribution.

To get back to your question: I think that something went wrong in August. The covering plan was ready at that time and we began writing the Royal speech. Perhaps, having been very much absorbed in this, we paid insufficient attention to the possibility of talking with the unions and civil servants federations at their level and to make the painful matters once again very clear to them. I believe that in that period we worked somewhat at cross purposes. In our constitutional system, August and September happen to be the months during which politics and all the interested parties concentrate on the phenomenon of opening day of the new session of the States General. Then all the people involved are curious as to the support the

government will receive in the first instance in parliament. The fact that the Royal speech went very well was proven by the opinion polls; as administration, we scored very high with the sober document.

[Question] Hence, a dialogue was missed with the unions. But didn't Minister Ruding also lose a dialogue with the administration? Didn't he want more than 12 billion guilders in savings in 1983?

[Answer] No, no, no, those are newspaper reports. Reports which have been leaked about the internal state of affairs are often suggestive and not very precise. Of course, a true civil servant has often a double loyalty. He naturally does exactly what his minister asks him to do; at the same time he has the feeling: that is my minister after all, and we must make the impact of our department in the Council of Ministers as strong as possible. Hence, a minister is given an extra task by his civil servants. But every minister knows what is expected of him. Thus all of us knew about our colleague Ruding that he would start the bidding higher and Ruding himself knew that too.

[Question] Let us return to the summer and the dialogue with the unions. How do you explain the peace of the summer, which preceded the heat of the social unrest in the fall?

[Answer] That is indeed very remarkable. But there is an explanation. The workers were active on two fronts, so the unions had their own internal problems; the FNV [Netherlands Trade Unions Federation] and the CNV [National Federation of Christian Workers in the Netherlands] were working on a kind of alternative government agreement. The gist of the FNV plan, which was worked out during the quiet summer, included an increase of expenditures, as a result of which the economy would become attractive. From an electoral point of view this is attractive, because that way you can avoid income sacrifices. Hence, this is an extension of a policy carried out by the previous administrations. Together, both the strategy of the opposition in the Second Chamber and the alternative FNV plan represent a nice bit of sales technique, but in terms of content these plans were weak.

What happened? The FNV plan was not adopted in its entirety by the PvdA, because evidently the social democrats themselves also realized that in terms of the financing deficit the FNV plan was too weak. Thus the social democrats came up with their own plan. And that one was not completely clear either. At a given moment, the PvdA wanted to take action with regard to the CAO's [Collective Labor Agreements] and then again it didn't. Hence, the opposition did not have a clear alternative, even though this was suggested. It was impossible to take action in terms of the CAO's given the agreement in the Foundation of Labor. We had given our word not to break in. Another indigestible fact for the administration was the fact that if the opposition plans had been carried out, by 1987 the national debt of the Netherlands would have risen by an extra 20 billion guilders. Through their skill with words, Messrs Den Uyl and Kok did manage somewhat to convey the idea that this administration does not discuss or reason in terms of content. Nothing is further from the truth.

[Question] And yet, it does look now as if the administration has been put on the defensive.

[Answer] One of the reasons for that is what I would call: the populist element. Take, for example, the Rietkerk-Van de Scheur talk. Normally, it should have been possible for the game of praising and offering to take its course. In his first dialogue with Rietkerk, Van de Scheur could have made it clear that a 3.5 percent gross reduction was too much for the civil servants. He could, for example, have suggested the figure of 2 percent. Then, through negotiation, a percentage could have been arrived at which could have been considered by the administration. Perhaps it would not have made that much material difference. I am not crazy: the fact that you make an opening bid of 3.5 percent does not necessarily mean that you are going to get 3.5 percent. But what did Van de Scheur do? He didn't want any reductions at all and, moreover, he wanted the alternative FNV plan to be honored. Parliament said "no" to that plan. Van de Scheur should have drawn his conclusions from that, shouldn't he? He didn't do that. They evidently had other plans.

Thus the first meeting at the Foundation of Labor was ended prematurely because Wim Kok had to go talk to his people on the street. This leads me to believe that the unions didn't want to negotiate anyhow. As a matter of fact, during this first talk with the Foundation of Labor I insisted that our policy could be adjusted only in parts, and thus in a limited way. In other words, even though we were not willing to exchange our approach for that of the FNV, we were still willing to talk, but meanwhile the street had been mobilized, the Ministry of Internal Affairs had been barricaded with foam, and the people were under tremendous psychological stress. I have to conclude now that at the time we were already proceeding with confrontation rather than negotiations. The citizens looked on silently, and the majority of them did not agree with the agitators.

[Question] Do you think that besides Van de Scheur, Kok and his people were also consciously working toward confrontation and actions?

[Answer] No. I think that it went the other way round. The FNV had its own plan and wanted to defend it as long as possible, but I don't exclude the possibility that, deep down, Kok, Van der Meulen and Laurier really would have liked to discuss the ways these mutual plans could be attuned to each other. I believe that as a result of several factors -- specifically, Mr Van de Scheur was leaning toward confrontation rather than a dialogue -- the actions actually began too spontaneously and too early. Then the mechanism started working backwards: the union leaders had to follow the agitators. Thus one thing followed another. Somebody had to take a strong stand. Look at Wim Kok who addressed agitated people from the top of a car following the failure of the first talks at the Foundation of Labor. This was the breaking point.

[Question] With all those difficulties, you were fortunate enough that parliament backed your policy four times during that hot fall.

[Answer] That was indeed a surprise for many people. The first surprise already came a year ago: in December 1982, the administration was able to keep its policy on its feet in the Second Chamber. The second surprise came 10 months later, when a parliamentary majority made it clear to the unions that they wanted to stick to the government policy. It was very striking that CDA parliamentary party President Bert de Vries told Wim Kok and Harm van der Meulen: "Gentlemen, we can talk but we are sticking to the general lines of the government policy." De Vries did this forcefully. Third surprise: the critics of this administration claim that the coalition is operating with too little openness. Another unknown phenomenon. My response to those critics remains: in terms of the major issues, there is and there was no better alternative available than this government policy. I repeat what was said by the president of the Chamber, Mr Dolman, that the administration did indeed make a number of adjustments and is thus open to a dialogue. Thus, the net reduction of civil servant salaries went from 3.5 percent to 3 percent; the rental payments will ~~not~~ go up 4 percent but 3 percent; there will be no levying of school fees; the municipalities will receive compensation for welfare costs; and hundreds of millions of extra guilders will be injected into the construction industry. And it will also be proven in 1984 that the civil servants' net earnings are not lower at all.

[Question] Do you really think that concrete results of this government policy will already be visible in 1984?

[Answer] I mean that the administration has already recorded favorable results for the Dutch economy now. When we started there was a monthly increase of 15,000 unemployed. I would estimate that this has now been reduced by half. A substantial improvement after all, which is partly due to the government policy and partly to the psychological effect this policy has had on business and industry. This provides renewed confidence in the future, and this feeling is passed on to our own population and abroad. You have no idea how important that is. It is a plus which we should hang onto and not weaken through that other Dutch characteristic, our national masochism. The opposition parties are shouting: this policy does not help us cross the bridge toward economic recovery because it is too restrictive; from the other camp there are shouts of: this policy does not go far enough by far. Why this convulsive thought of doom from the left and sometimes from the right, when so many people feel that for once the Netherlands has forcefully organized its national household and when confidence in the economy is rightly returning?

In addition to the imminent masochism, there are another couple of risks: underestimation of the seriousness of the situation surrounding the financing deficit and the high level of taxes and contributions. In this regard, 1984 will ~~not be an~~ easy year either. But I earnestly hope one thing for 1984: that people will realize that a strict economic policy does not have to block a good social policy. This insight is breaking through more and more, fortunately. People realize that the government must withdraw from the welfare society and that the citizens will have to take over part of the tasks which will thus be released.

[Question] That is all good and well, but aren't you going to retrench by 10 billion guilders in 1984?

[Answer] Look, there is a dangerous sport being engaged in in this country: figure out how much savings should be achieved in theory and then check how much has been saved in practice. If those two figures don't agree the citizens think: they've made a mess of it again in the Hague. Something like that is damaging to the economic climate. The fact is that retrenchments are only the /marginal conditions/ for economic recovery. If business and industry are given room and if they show themselves to be inventive in this regard, then things will once again click between government, business and industry, and society. The government agreement is a guide, not a mathematical calculation.

[Question] Another important theme for this year and definitely also for next year is the nuclear creed set down by the administration in its recent Defense Memorandum. In this memorandum, nuclear weapons are ethically sanctioned. Does that mean that the administration takes the position of mutual disarmament and rejects the so-called "no first use" declaration? Aren't you thus making the people ripe for the deployment of a number of cruise missiles?

[Answer] Our uppermost consideration is that the function of defense in this angry world with its two competing ideological power blocs is to prevent war. For me, the concept of "detente" (relaxation) does not mean being nice or friendly to one another, but the rationalization of possible conflicts. Hence, those potential conflicts must be reduced to the lowest possible level. Control of the arms race is part of that. The Netherlands goes even further with this rationalization: we are not afraid to maintain contacts with the Soviet bloc; in this, we deviate from the standard American policy. In the United States, the Soviet Union and communism carry the stigma of evil, of that which respectable people are anxious to stay away from. There is a tendency in the Netherlands to keep the Soviet system outside: we must forcefully, but not convulsively, use the means to this effect. One of those means is a sound defense; other such means include: economic and cultural contacts, visits back and forth, etcetera.

[Question] You said that arms control is a potential instrument to handle potential conflicts at the lowest possible level. In its criticism of the new Defense Memorandum, NATO states that the Netherlands is becoming increasingly dependent on nuclear weapons for its defense. Hence: away with arms control.

[Answer] You are referring to Luns' letter. I can understand him. He is a man who, after a long period of service, is taking his leave. I want to express myself courteously. But, in my honest opinion, this letter from Mr Luns is not an objective letter. He gives a completely wrong impression of the conventional defense effort of the Netherlands. This kind of letter could undermine the self-confidence of our own armed forces. What is the gist of the matter? Our armed forces are being modernized at a reasonably rapid rate. We are providing a substantial, a more than proportionate contribution even to the Atlantic Alliance. The real defense effort of the

Netherlands is growing by 2 percent; many other countries claim they achieve a 3 percent growth, but in fact their contribution is substantially less. Well, let me just take that letter as it is. To stick to that nuclear creed, as you call it: over the last 12 months, the foremost question for us has been: what is best for the right East-West relationship? Hence, not: what is best for the Netherlands? Of course, there may be a moment when the Netherlands aspect will play a role, for example in terms of the government/parliament relationship.

All of this means that serious negotiations must take place, without our yielding to the pressure of Soviet propaganda. A solution which has always appealed to me is the so-called /"walk in the woods agreement"/*, whereby both parties reached an agreement in principle on the control of new arms systems in Europe. That was a good agreement, but the Russian negotiator did not get the green light from Moscow for this two-party agreement.

[Question] But could you quickly answer our question: isn't the administration ripening the Dutch minds for the deployment?

[Answer] Another example from recent history: the earlier arms control agreements were often concluded by politicians who had the reputation of being tough and rightwing, Nixon for example. President Carter, on the other hand, did not accomplish very much in the area of arms control, even though he was more open to the other side. Kennedy had a mixed balance sheet: on the one hand, he gave the impression of being very tolerant, while, on the other hand, he took firm action in the Cuban conflict. What I mean is: in the area of peace and security it is important to strike the right tone concerning a sound defense effort, arms control and the display of a predictable and controllable defense strategy. This trinity is anchored in the Dutch defense philosophy. This is why the Netherlands has consciously not yet made a decision on the deployment of nuclear missiles, but it is preparing itself sufficiently for such a deployment so that the Soviet Union will seriously have to take it into account. The Dutch people experience it that way too.

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CSO: 3614/30

* Informal meeting between Nitze and Kvitzinski: ceiling of 77 SS-20 missiles (225 nuclear warheads) and 75 GLCM-units (300 nuclear warheads); no Pershing missiles, and no counting of the French and British systems.

CONSTITUTIONAL RELATIONSHIP BETWEEN PRESIDENT EANES, POLITICAL SYSTEM

Lisbon DIARIO DE NOTICIAS in Portuguese 16 Jan 84 p 2

[Editorial: "Eanes and the System"]

[Text] At a time when some had already acknowledged his gaining of a certain amount of dissociation that would afford him a peaceful conclusion for his second term in office, Ramalho Eanes appeared at Coimbra, on the marking of the third anniversary of his reelection, with a speech belying completely the intention of withdrawing from the center of political life that seemed to be implied in his New Year's message. What was underscored therein, in fact, was the observation of a lack of structural reforms in Portuguese society, in an analysis which was not only unopposed to the government, but even appeared to be in agreement with the goals cited by it more or less at the same time. On the other hand, in the Coimbra speech, although it cannot actually be claimed that there was opposition to the policy of the present executive body, there was, nevertheless, a critical reflection of the constitutional grounds from which that very policy stems and, conversely, a defense of propositions that are not included in the interests of the present coalition.

The logic that apparently can be inferred from this speech is the following: Ramalho Eanes, as president of the republic, still scrupulously upholds the legal contingencies that have been set forth in the constitutional revision, performing his duties in the light of the precepts stipulated therein; as a citizen, he does not and will not refrain from expressing his disagreement with those same contingencies, noting, however, "with knowledge of the facts," as he himself made a point of stressing, the maladjustment between the political system currently in force and the country's needs. Eanes draws some conclusions from this dichotomy: First, the president of the republic cannot be held jointly responsible for the action taken by the government, given the institutional limits to which his own action has been confined; second, it is, consequently, necessary to undertake a redefinition of powers, so that, in the future, the head of state may act in accordance with his candidacy program.

Hence, in formal terms we have a president of the republic who claims to be bound to his commitment to comply with a Constitution which, since the time of its revision, has prevented him from acting within the bounds that were

assumed at the time of his candidacy. In political terms, the president himself is subjected to the consequences of the revision, but is relieved of the responsibility for acts originating in initiatives of other organs of sovereignty, and is calling for clarification of the complex relations among the various authorities. In the position of a committed executor, he has not raised any obstacles to the government's action even when it has brought consequences such as those caused by the Garcia dos Santos case. But, as a dissenter and opponent of the principles which have led to such situations, he is fighting for an alternative, both from a constitutional standpoint and a partisan standpoint.

Regarding this latter point, it should be stated that Eanes has always assumed the role of one upholding the legitimacy or even the necessity for new political parties. However, since no one questions the legitimacy, at least in the abstract, the issue assumes relevance only because of the repeated assertion of the necessity thereof. In this instance, besides being pertinent, it has even appeared as a direct complement to the challenge made by the president of the Constitution's terms. And for a very simple reason: The mechanisms for changing the constitutional regulations, if there is no intention of going beyond the bounds of the current system, will have to entail action confined to party lines. Since the existing parties are the ones responsible for the interpretation of the system established in the constitutional revision, the alternative can come only either from a change in those parties or from the advent of others. It is a fact and, perhaps, an embarrassment, that the PC [Communist Party] has appropriated the proposition. Nevertheless, there is no evidence of any other for which Eanes could opt over the medium term. And the proof of this is that he continues to cultivate it, despite the failures in which all the attempts tried to date have resulted.

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CSO: 8142/0754

RESULTS OF PUBLIC OPINION POLL ON PRESIDENTIAL ELECTIONS

Poll Data Base Profile

Lisbon O JORNAL in Portuguese 27 Jan-2 Feb 84 p 2

[Article by Henrique Monteiro: "Taking the Pulse of Public Opinion"]

[Text] Taking the pulse of the country's public opinion--not only from the immediately political viewpoint but also concerning other areas in the nation's life--is what we are going to be doing regularly, starting this week, in cooperation with Marktest.

The regular character of this "barometer" will enable us to keep providing systematic comparisons. Through these comparisons, our analysts--and the reader--will be able to find out for themselves whether the specific fluctuation is only brief and temporary or whether, on the other hand, it represents a basic change in what the Portuguese think.

This study is representative of the population on the continent with the right to vote (over the age of 18), residing in towns with more than 10,000 inhabitants. We interviewed 500 individuals in 16 localities, starting with 25 sampling points.

The individuals to be interviewed were selected by the quota method and, as a control variant, we used sex, age, and region.

The maximum error for the total sample is 4.5 percent (probability: 95 percent).

The field work was done between and 16 and 21 February.

(The journalistic processing of the results is the exclusive responsibility of O JORNAL while the text, this week, has been written by Henrique Monteiro.)

Voters' Choice Among Candidates

Lisbon O JORNAL in Portuguese 27 Jan-2 Feb 84 p 6

[Article by Henrique Monteiro: "Soares and Freitas in Front, Followed by M. Amaral and Pintasilgo"]

[Text] Mario Soares and Freitas do Amaral were the names mentioned most in connection with the intention to vote for the office of president. Instead of giving a list, we asked the interview subjects, in this survey, spontaneously to give a name and this did significantly alter the results.

The spontaneous expression of voter preference for the office of the president of the republic points to Mario Soares as the man most frequently mentioned (8.2), followed by former centrist leader Freitas do Amaral (6.0). Next comes Mota Amaral (4.8) while Lurdes Pintasilgo is in fourth place with 3.7; these are the four names most frequently mentioned in the survey, by slate. Next, in order of frequency, we have the following: Alvaro Cunhal (2.8), a candidate supported by Eanes (2.4), Otelo Saraiva de Carvalho (0.9), Melo Egidio (0.6), Firmino Miguel (0.5), Mota Pinto (0.4), Pires Veloso (0.4), and Salgado Zenha (0.1). Almeida e Costa and Garcia dos Santos, who are on the slate that was submitted, were not mentioned.

In Lisbon, the name most frequently mentioned was that of Mario Soares, followed by those of Lurdes Pintasilgo, Alvaro Cunhal, and Freitas do Amaral. In Porto, Freitas do Amaral was the name mentioned most frequently, followed by Mario Soares and the name selected by Eanes. In the North, Mota Amaral was most frequently mentioned, followed by Soares and Freitas do Amaral. In the South, the most frequently mentioned name was the name of the prime minister, followed by Mota Amaral, Lurdes Pintasilgo, and the name chosen by Eanes.

Mario Soares this time once again was mentioned most frequently by voters over the age of 55, while Lurdes Pintasilgo again received majority support from the age group between 45 and 54. Freitas do Amaral also continued out front among young adults between the ages of 18 and 24. As for the rest, those between 25 and 34, preferences went to Mota Amaral and, among those between 35 and 44, they went to the current prime minister.

While the men selected Mario Soares, Mota Amaral, and Freitas do Amaral, in order of preference, the women, keeping Soares at the head of the list, also selected Freitas do Amaral and Lurdes Pintasilgo.

Among Socialist Party voters, Soares would get 24.5 percent, Lurdes Pintasilgo 5.5, and the name picked by Eanes 2.5, with all the others far behind.

For the voters of the PSD [Social Democratic Party], Mota Amaral was mentioned most frequently (28.5), followed by Freitas do Amaral (11.2), and Mario Soares (3.7).

Among APU [United People's Alliance] voters, Alvaro Cunhal was most frequently mentioned with 20.3 percent of voter preference indications, followed by

Lurdes Pintasilgo with 12.2, Otelo Saraiva de Carvalho with 5.1 and, after a considerable distance, Mota Amaral with 2.6, still ahead of Zenha and Soares.

In the CDS [Social Democratic Center Party], Freitas do Amaral would appear to be the man chosen with 58.8 percent. Mario Soares is in second place with 4.2, followed by Mota Amaral with 2.3 percent.

Here is a brief reference to those who said they supported Eanes; Soares is most frequently mentioned with 12.7 percent, followed by Lurdes Pintasilgo with 6.3 and Mota Amaral with 3.8 percent.

In this survey, of course, the number of "did not vote" and "don't know" responses is rather large; out of the total number, 12.9 percent of those interviewed said that they did not vote and 53.3 percent did not respond.

How Would You Vote Today in the Presidential Elections?
(Choice Among Assumptions Suggested)

	1 Região			2 Idade			3 Sexo			4 Voto anterior AR			Votou Eanes PR			
	6 Lisboa	Porto	7 Norte	8 Sul	18/24	25/34	35/44	45/54	+55 g	Masc 10	Fem.	PS		PSD	APU	5 CDS
Total	12.8	10.2	13.9	9.9	7.7	6.7	9.5	13.5	25.8	15.4	9.9	33.6	5.7	0.4	4.2	18.9
M. Soares	9.4	5.1	17.7	10.3	11.2	10.7	11.7	7.4	5.7	12.1	6.2	3.9	45.9	2.9	2.3	7.6
Mota Amaral	10.5	16.3	23.2	3.3	13.1	7.8	10.7	6.1	13.1	9.7	11.4	2.2	20.5	2.6	71.2	2.5
F. Amaral	2.0	1.0	1.5	2.5	0.0	1.9	4.2	3.2	1.4	2.9	1.1	1.7	3.6	2.6	7.0	2.2
Fern. Miguel	0.3	0.0	2.1	0.0	0.2	0.0	1.2	0.0	0.0	0.6	0.0	0.9	0.0	0.0	0.0	0.1
Alm. Costa	1.5	2.4	1.8	0.0	1.3	3.7	1.5	0.0	1.1	2.2	0.7	2.3	0.0	4.8	0.0	3.0
S. Zinha	16.9	9.2	2.2	11.6	12.9	24.0	16.3	16.5	16.7	15.7	18.3	18.1	4.9	62.8	7.0	26.7
L. Pinheiro	0.4	0.6	0.0	0.7	0.0	0.3	0.3	1.8	0.0	0.8	0.0	0.2	0.0	3.0	0.0	0.2
Garc. Santos	15.2	15.0	18.6	11.9	17.5	16.5	13.2	17.0	12.5	15.5	14.9	8.5	10.0	11.1	7.0	13.1
11 Nenhum/N. Vet.	30.8	41.9	18.8	50.8	36.3	28.4	31.7	34.5	23.8	25.2	37.6	28.7	9.8	10.5	2.4	25.8
12 Não Responde																

11 Nenhum/N. Vet.
12 Não Responde

(Spontaneous response)

	1 Região			2 Idade			3 Sexo			4 Voto anterior AR			Votou Eanes PR			
	6 Lisboa	Porto	7 Norte	8 Sul	18/24	25/34	35/44	45/54	+55 g	Masc. 10	Fem.	PS		PSD	APU	5 CDS
Total	8.2	9.2	14.3	7.1	6.1	4.8	8.1	7.2	14.0	8.3	8.2	24.5	3.7	0.4	4.2	12.7
M. Soares	4.8	3.0	15.8	4.3	2.6	8.1	7.6	3.0	3.5	7.3	1.9	0.2	28.5	2.6	2.3	3.8
F. Amaral	6.0	11.2	13.9	0.7	8.1	3.5	6.5	3.2	7.3	4.8	7.5	1.4	11.2	0.0	58.8	1.0
Fern. Miguel	0.5	0.0	1.1	2.3	0.0	1.9	0.0	1.1	0.0	0.9	0.0	1.4	1.1	0.0	0.0	0.7
S. Zinha	0.1	0.0	0.4	0.0	0.2	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.1
L. Pinheiro	3.7	6.0	0.7	0.7	0.2	5.9	4.9	7.6	1.7	4.4	2.9	5.5	0.0	12.2	0.0	6.3
A. Cabral	2.8	3.6	1.0	0.7	1.3	5.6	5.4	0.0	1.9	2.1	3.6	0.0	2.4	20.3	0.0	4.0
M. Pinto	0.4	0.6	0.4	0.2	1.3	0.0	0.0	0.3	0.2	0.1	0.8	0.0	2.4	0.0	1.2	0.1
Apêdo Eanes	2.4	0.6	8.2	0.0	3.7	0.0	6.0	1.8	0.0	3.3	1.5	2.5	1.5	1.5	0.0	3.5
M. Egídio	0.6	1.2	0.0	0.0	0.0	0.0	0.0	1.8	1.4	1.2	0.0	1.2	0.0	0.0	0.0	1.2
F. Veloso	0.4	0.6	0.0	0.4	0.0	1.9	0.0	0.0	0.2	0.6	0.1	0.0	0.0	0.0	0.0	0.0
Ot. Carral.	0.9	1.2	1.0	0.4	0.0	2.2	0.0	2.9	0.0	1.5	0.1	0.0	0.0	5.1	0.0	0.6
13. Outros	3.0	4.2	2.5	0.5	4.5	2.4	3.0	1.4	3.0	5.1	0.5	2.3	0.3	2.6	1.2	2.3
14. Não votava	12.9	14.4	18.2	5.0	9.5	18.0	9.2	12.6	16.3	14.0	11.6	16.1	5.8	13.5	0.0	15.1
15. Não sabe	53.3	51.6	31.6	70.9	62.6	46.1	49.1	57.2	50.2	46.5	61.3	44.9	43.4	42.4	32.8	48.5

13. Outros
14. Não votava
15. Não sabe

Key: 1--Region; 2--Age; 3--Sex; 4--Prior vote in Assembly of the Republic; 5--Voted for Eanes, president; 6--Lisbon; 7--North; 8--South; 9--Male; 10--Female; 11--None, did not vote; 12--No response; 13--Miscellaneous; 14--Did not vote; 15--Don't know.

Presidential Elections (Second Round)
Mario Soares or Mota Amaral?

	1 Região			2 Idade			3 Sexo			Voto anterior AR			Voto Eanes PR				
	6 Lisboa	Porto	7 Norte	8 Sul	18/24	25/34	35/44	45/54	55+	q	Male	10-Fem.		PSD	APU	CDS	5
Total																	
M. Soares	25.2	26.3	21.4	21.6	29.3	25.1	20.4	26.8	19.3	32.2	27.2	22.9	52.0	8.3	19.0	23.8	34.1
Mota Amaral	31.8	29.9	27.6	52.3	24.8	38.7	34.5	27.3	27.2	30.4	32.4	31.1	15.1	81.8	27.1	59.6	26.1
11 Não votou	25.7	26.9	29.6	19.3	22.5	23.2	30.1	21.4	23.5	30.7	26.9	24.3	20.5	7.2	49.7	1.2	28.0
12 Não sabe	17.3	16.8	21.4	6.8	23.5	12.9	15.0	24.6	30.0	6.7	13.5	21.7	12.4	2.7	4.1	15.4	11.8

Key: 1--Region; 2--Age; 3--Sex; 4--Prior vote for Assembly of the Republic; 5--Voted for Eanes, president; 6--Lisbon; 7--North; 8--South; 9--Male; 10--Female; 11--Did not vote; 12--Don't know.

Second Round Choices

Lisbon O JORNAL in Portuguese 27 Jan-2 Feb 84 p 6

[Article by Henrique Monteiro: "Azorean Leader in Belem with Help of APU"]

[Text] Mota Amaral would defeat Mario Soares in case the two were running for the presidency a second time. The Azorean leader would have more votes in the PS [Socialist Party] than Soares would get in the PSD, he would have stronger support from the centrists and the communists would prefer to vote in it.

The assumption as to a second round between Mota Amaral and Mario Soares was the subject of another survey as part of this public opinion poll which was conducted by Marktest for O JORNAL. Mota Amaral would emerge as the victor, apart from his own machinery, benefiting from stronger support than Soares would get.

Mota Amaral would win in the four regions which we covered separately here for this survey; he would win both among men and among women and he would lose only in the age group of voters over 55, where Soares enjoys decided popularity.

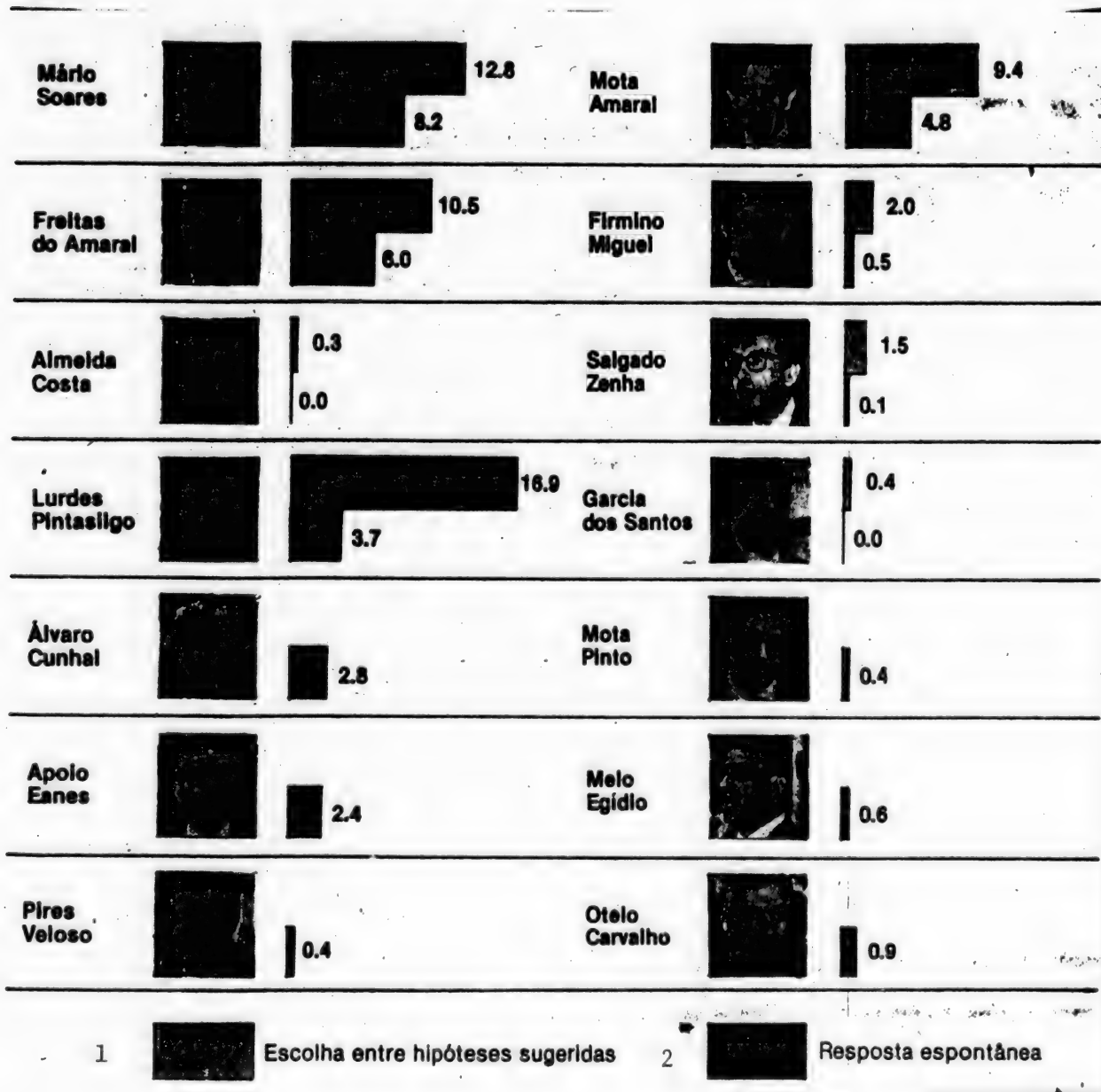
As for the rest, Mario Soares would get more votes than Mota Amaral only among the PS voters and the Eanes voters. Mota Amaral would be better received both in the PSD and in the CDS and even in the APU.

In spite of this, it must be pointed out that 49.7 percent of the APU voters replied "did not vote" and the same happened to 28.0 percent of the votes coming from those who voted for Eanes and 20.5 of those coming from the PS.

Possible Successors to Eanes

Lisbon O JORNAL in Portuguese 27 Jan-2 Feb 84 p 4

Whom Would You Pick to Succeed Eanes?



Key: 1--Choice between assumptions suggested; 2--Spontaneous response.

Summary, Analysis of Results

Lisbon O JORNAL in Portuguese 27 Jan-2 Feb 84 p 3

[Article by Henrique Monteiro: "Four Names Picked"]

[Text] Some conclusions can already be drawn from the three surveys conducted on the topic of the presidential elections. First of all, it must be emphasized that the percentage of those interviewed who did not respond is high, that is, 30.8 percent for the survey with the list, 53.3 percent for the spontaneous choices, and 17.3 percent where there was an assumption as to a second round between Mota Amaral and Mario Soares.

However, in the two surveys that simulate the situation of some first-round presidential elections--the only difference being that the names would be suggested in the first round while they would not be selected in the second round--we find that the same four candidates would get the most votes: Mario Soares, Lurdes Pintasilgo, Freitas do Amaral and Mota Amaral.

The voters who are most sure of their choice seem to be those of the CDS. The candidacy of Freitas do Amaral did not produce any doubts in that party. In addition to that, Freitas do Amaral is very well positioned in the PSD, much better than Mota Amaral in the CDS. Soares has no chance among APU voters and his chances in the PSD are reduced. Quite significantly, in the spontaneous survey, Soares appears to be second-best in the CDS, after Professor Freitas do Amaral.

The good position in which Lurdes Pintasilgo finds himself in a general fashion is rather a surprise. In the first survey he was out in front and in the second one (spontaneous response) he appears after three well-known party leaders. And if, in this second survey, on top of the votes he already got, we were to add those that are committed to a possible candidate supported by Eanes, we would find that the former prime minister would surpass Mota Amaral and Freitas do Amaral, winding up far behind Mario Soares.

Mario Soares--who is the only leader among the persons mentioned in the survey who had experience in government--will of course have to figure on the natural loss which that brings with itself. Only Mota Pinto also oddly enough appears to have been picked by the same number of voters in his party as those who, in the PSD, would select Cunhal for the office of president--precisely 2.4 percent. Mota Amaral--who, in the Azores, holds the position of head of regional government--is another personality who appears to be definitely launched toward the presidential elections. The result of this survey is favorable to him especially where we assume a second round against Mario Soares. Although the current prime minister would have the advantage in his own party and in the CDS, the voting in the PSD would be overwhelming (81.8 percent) for the Azorean leader and in the APU the majority, 27.1, would be for Mota Amaral, even though 19 percent would vote for Soares.

Pintasilgo's Surprisingly Strong Showing

Lisbon O JORNAL in Portuguese 27 Jan-2 Feb 84 pp 3-4

[Article by Henrique Monteiro: "Pintasilgo in Front and Second Round Against Soares"]

[Text] Maria de Lurdes Pintasilgo could run against Mario Soares for a second round in the presidential elections since she is the candidate who got the most votes. Both Freitas do Amaral and Mota Amaral would be defeated by those two candidates while the military leaders (Firmino Miguel, Garcia dos Santos, and Almeida e Costa) would not achieve any significant result. Former socialist leader Salgado Zenha would be another one of the big losers. This basically is the summary of the results of a survey conducted by Marktest for O JORNAL.

Each subject was given a list of the following names: Mario Soares, Freitas do Amaral, Mota Amaral, Lurdes Pintasilgo, Firmino Miguel, Salgado Zenha, Garcia dos Santos and Almeida e Costa. The responses are rather surprising: Between a significant percentage of subjects who did respond (30.8 percent) or who said that they would not vote (15.2 percent), Lurdes Pintasilgo would come out victorious in the first round with 16.9 percent of the votes as against 12.8 percent for Mario Soares, 10.5 for Freitas do Amaral, and 9.4 for Mota Amaral. The remaining four candidates suggested would get rather small percentages: Firmino Miguel with 2 percent, Salgado Zenha with 1.5 percent, Garcia dos Santos with 0.4 percent, and Almeida e Costa with 0.3 percent.

Pintasilgo in Lisbon, Freitas in Porto

In Greater Lisbon and in the country's South, Lurdes Pintasilgo would be the candidate with the most votes, respectively, 25.1 and 11.6 percent. In Greater Porto and in the North, Freitas do Amaral would be the winner with 16.3 and 23.2 percent of the votes, respectively. Mario Soares would get second place both in Lisbon and in Porto and third place in the North and the South. Mota Amaral would be in second place in the northern and southern zones, third in Lisbon, and fourth in Porto. The former centrist leader would be fourth in Lisbon and in the South, while Pintasilgo would be third in Porto and fourth in the North. At any rate, these four candidates would always be getting the most votes in the four regions defined for this survey.

Lurdes Pintasilgo would get the largest number of votes among voters between 25 and 54, while Freitas do Amaral would get the nod from young adults between 18 and 24; quite surprisingly, Mario Soares would win among voters over the age of 55. As for the rest, Lurdes Pintasilgo would be well placed (in second place) in the age group between 18 and 24 and among voters over 55. On the other hand, Freitas do Amaral would be third in the groups between 25 and 34 and 35 and 44 as well as over 55 and he would be last among voters between 45 and 54.

In addition to winning the preference of the oldest voters, Mario Soares would be fourth in the age group between 18 and 44 and he would be second with

voters between 45 and 54. Mota Amaral who would not win in any age group, would be third in the age groups of 18-24 and 45-54, second in the age groups of 25-34 and 35-44, and fourth among those over the age of 55. We want to note once again that these would again be the candidates who would get the most votes for all age groups.

The women would vote mostly for Lurdes Pintasilgo, followed by Freitas do Amaral, Mario Soares, and Mota Amaral. The men would prefer the former prime minister but they would put Freitas do Amaral in fourth place, leaving Soares in second place and the Azorean leader in third place.

APU--Soares after Freitas do Amaral

The Socialist Party voters naturally would prefer Mario Soares, with 33.6 percent of the usual socialist voters casting their ballots for the party's secretary-general. But Lurdes Pintasilgo would get 18.1 percent of the PS votes, Mota Amaral would get 3.9, Salgado Zenha would get 2.3, and Freitas do Amaral would get 2.2.

As for the PSD voters, they would vote for their Azorean coreligionist (45.9), followed by Freitas do Amaral (20.5), Mario Soares (5.7), and Lurdes Pintasilgo (4.9).

The APU voters would prefer Lurdes Pintasilgo, giving her 62.8 percent of their votes. Salgado Zenha would be in second place with the votes of the APU (4.6), but after a long interval. Then we would have Garcia dos Santos (3.0), Mota Amaral (2.9)--here it must be emphasized that the survey was conducted after Cunhal said that the PCP [Portuguese Communist Party] would never support the head of the Azorean government--Firmino Miguel (2.6), Freitas do Amaral (2.6), and, finally, Mario Soares who would only be 0.4 percent ahead of Almeida e Costa who would not get any of the votes of the communists and their allies.

The centrist voters would give first place to Freitas do Amaral, as was to be expected. He would get 71.2 percent of the votes coming from the CDS voters. The surprise is that, although far behind, naturally, Lurdes Pintasilgo would wind up in second place, getting 7.0 percent of those votes. Mario Soares (4.2) and Mota Amaral (2.3) would come after Firmino Miguel (also with 7.0).

It is also interesting to analyze what the voters, who enabled Eanes to win in the last presidential elections, would do this time. They would definitely pick Lurdes Pintasilgo (26.7) and, then, Mario Soares (18.9). Mota Amaral (7.6) would be third, followed by Zenha (3.0) who would win over Freitas do Amaral (2.5). Garcia dos Santos would not get more than 0.2 percent.

It must be reported that those who voted for Eanes contained the largest number of "would not vote" (13.1) or "no response" (25.8) comments. For the PS, these percentages are 8.5 and 28.7 percent, respectively; for the PSD, the figures are 10.0 and 9.8 percent, respectively; for the APU, the figures are 11.1 and 10.5 percent, respectively; and for the CDS, they are 7.0 and 2.4 percent, respectively.

Briefly touching on the candidates who would get the least number of votes, we can say this: Salgado Zenha would get votes only in Lisbon and in the North (he does not get any in the southern regions and Porto) and his strongest age group is the group between 25 and 34 years; he would not get any votes from the PSD and the CDS. Garcia dos Santos would likewise only get votes in Lisbon and in the North; his strongest age group would be 45-54 and he would not get any votes from the PSD and the CDS, getting only 0.2 percent of the votes coming from Eanes' voters and the PS. Firmino Miguel would get more votes in the South and in Lisbon than in the remaining regions; his strongest age group is 35-44 and he would get votes above all from the CDS and the PSD. Almeida e Costa does not get any mention in Lisbon, Porto, and the South (his name turns up only in the North); his strongest age group would be 35-44 and he would get votes only from the PS (0.9) and from the supporters of Eanes (0.1).

Decriminalization of Abortion Issue

Lisbon O JORNAL in Portuguese 27 Jan-2 Feb 84 pp 2-3

[Article by Henrique Monteiro: "Majority in Favor"]

[Text] Majority opinion against only North and in age group over 55. No significant opinion differences between men and women. Young adults between 18 and 34 are most clearly in favor of decriminalization. Majority of PS and APU voters in favor, PSD divided and CDS opposed.

The majority of the Portuguese is in favor of the decriminalization of abortion and the bitter debate on this issue has aroused almost everybody's attention--this is what one can conclude from a survey conducted by Marktest for O JORNAL.

The number of subjects who responded affirmatively to the question "Do you know what the decriminalization of abortion means?" is very high. More than 93 percent of those questioned know or think they know what this means and, among them, 54.8 percent are in favor of decriminalization.

Majority opinions against legalized abortion can be found only in the northern region (excluding Greater Porto) and in the age group above 55. Opinion is manifestly opposed also among CDS voters, while among PSD voters, where the situation is more balanced, the continuation of making abortion a crime is getting less and less support.

On the other hand, there are no significant differences between the opinions of men and women although the men are more in favor with a slightly higher percentage.

The age group between 18 and 34 is likewise most in favor of decriminalization and, generally speaking, that group also proves to be most informed on the problem.

However, while opinions in favor of abortion are strongest in the South and in Greater Lisbon, it is in the North and in Greater Porto that more persons maintain that they are familiar with the problem. As a matter of fact, while the percentage of those who know or think they know what decriminalization of abortion amounts to 92.8 percent in Lisbon and 89.4 percent in the South, it rises to 99 percent in Porto and 96.5 percent in the North. To understand these statistics, one must take into account the intensive campaign which the Church has conducted on this issue; this can in part explain the greater volume of information where the Church is most active.

It is furthermore equally significant that, among CDS voters, 100 percent say they are familiar with the problem, while that percentage turns out to be 94.2 percent in the PSD, 92.3 percent in the APU, and 91.8 percent in the PS.

Looking at the sex of the subjects, there are no significant differences on this score: 95.9 percent of the men know or think they know what decriminalization of abortion means and 91.7 percent of the women respond in the same fashion.

In the age groups between 18 and 54, there are practically no fluctuations on this issue. But, for voters over 55, the percentage of those who are informed on the problem is between 8-10 percent less compared to the other age groups. We must furthermore stress that the subjects who said they voted for Eanes also pointed out that they are familiar with the problem to the extent of 91.9 percent.

Lisbon: Very Favorable

Among subjects who said they know what the decriminalization of abortion means, 54.8 percent said that they are in favor and 35.9 percent said that they are opposed. Only 9.3 percent of those interviewed expressed no opinion.

Public opinion is most in favor of decriminalization (61.9 percent) in the area of Greater Lisbon. In the South, that percentage is lower (52.5 percent), in Greater Porto it is even less (47.4) and in the northern zone, opposing opinions are stronger--53.6 percent as against 41.6 percent.

We find the most favorable opinions in the 25-34 age group. Significantly, in this group--where 61.7 percent agreed with the legalization of abortion--we can find married couples of optimum child-bearing age. After this age group, we have the 18-24 group where, percentage-wise, we find the largest number of those in favor of decriminalization (59 percent). Then there is a gap since voters between 35 and 44 seem to be most divided on this issue; 52.4 are for and 42.6 are against, whereas those who are between 45 and 54 are more clearly in favor of decriminalization, that is, 56.7 as against 29.3 percent. We also find that, in this age group, there are less unfavorable responses than in the 18-24 age group. The fact that there are more undecided individuals or those expressing no opinion simply enables us to say that the percentage of those who are in favor is slightly higher among the younger persons.

As we said before, among subjects over the age of 55, opinions against abortion are more numerous than those in favor; 47.7 against 45 percent.

PSD Voters Divided

Analyzing the situation from the partisan viewpoint--when we asked for which party the subject voted in the last legislative elections--we find that decriminalization of abortion is most advocated among APU voters. Thus, 78.4 percent among them are in favor, whereas only 18.4 percent are not. In the SP, the majority likewise agrees with decriminalization (61.2 percent), while only 30.2 percent are opposed. In the PSD, there is a clear division on this issue. As a matter of fact, while 50.3 percent of the subjects, who said that they voted for the social democrats, were against, 46.4 percent agreed with decriminalization. We must also report that the number of undecided individuals or persons expressing no opinion is very low in the PSD with 3.3 percent; that figure is 3.2 percent in the APU and 8.6 percent in the PS.

Among the centrists there was no subject who failed to express an opinion. The vast majority, 85.1 percent, came out against decriminalization; however, the remaining 14.9 percent said that they are in favor.

Among those who voted for Eanes in the last presidential elections, 62.1 percent are in favor of decriminalization and 31.1 percent are against; this percentage is similar to the one encountered among PS voters.

Do You Know What Decriminalization of Abortion Means?

	Total	1 Idade					2 Sexo	
		18/24	25/34	35/44	45/54	+55	3 Masc.	4 Fem.
5 Sim	93,9	96,0	94,4	97,0	96,1	86,7	95,9	91,7
6 Não	3,5	0,0	5,6	3,0	1,8	7,3	2,4	4,7
7 Sem Opinião	2,6	4,0	0,0	0,0	2,0	6,0	1,7	3,6

Key: 1--Age; 2--Sex; 3--Male; 4--Female; 5--Yes; 6--No; 7--No opinion.

Are You in Favor of Decriminalization of Abortion?
(Bases; Do You Know What Decriminalization Means?)

Table I. Regions

	Total	1 Lisboa	Porto	2 Norte	3 Sul
4 Favor	54,8	61,9	47,4	41,6	52,5
5 Contra	35,9	25,2	43,3	53,6	46,4
6 Sem Opinião	9,3	12,9	9,3	4,8	1,1

Key: 1--Lisbon; 2--North; 3--South; 4--For; 5--Against; 6--No opinion.

Table II. Age

	18/24	25/34	35/44	45/54	+55
1 Favor	59,0	61,7	52,4	56,7	45,0
2 Contra	31,9	25,6	42,6	29,3	47,7
3 Sem Opinião	9,1	12,7	4,9	14,0	7,3

Key: 1--For; 2--Against; 3--No opinion

Table III. Prior Vote

	PS	PSD	APU	CDS	Eanes
1 Favor	61,2	46,4	78,4	14,9	62,1
2 Contra	30,2	50,3	18,4	85,1	31,1
3 Sem Opinião	8,6	3,3	3,2	0,0	6,8

Key: 1--For; 2--Against; 3--No opinion.

5058

CSO: 3542/22

ALLEGED ARAB PRESSURE FOR NON-RECOGNITION OF ISRAEL

Madrid DIARIO 16 in Spanish 26 Jan 84 p 5

[Article by Enrique Montanez: "Arab Pressure To Delay the Recognition of Israel"]

[Text] The Spanish Government's decision to recognize the state of Israel and the Saudi authorities' refusal to have the matter brought up in the meeting between Felipe Gonzalez and King Fahd were the basic reason for the unexpected postponement of the official visit which the head of the government had planned to make to Saudi Arabia on 5 February, according to comments made to DIARIO 16 by reliable diplomatic sources.

On Tuesday, the office of the government spokesman announced in an official note that the trip had been postponed because technical documents that would be used as a basis for the work of the Spanish and Saudi delegations had not been completed.

Official Spanish sources said yesterday that the postponement was due to a "common move" on both sides and that it was linked to the return to Madrid of the general director of international economic relations, Carlos Blasco, who remained in Riyadh planning the prime minister's visit and bringing Saudi "proposals" relating to the granting of credits requested by the Spanish Government.

Difficulties

According to the official report, last-minute difficulties were found by the government in Riyadh to stand in the way of the trip of Felipe Gonzalez and two Cabinet ministers, Moran and Boyer, to that country of the Arab world, the largest oil producer, with great economic might and credit throughout the world and decisive religious prestige in the Arab community.

The Spanish diplomats were surprised by the unexpected reaction of Saudi Arabia, especially when the recognition of Israel, which will come about this year, was one more subject on a broad agenda including the granting of loans to Spain, the supplying of oil and contracts for sales of Spanish weapons to the Saudi Armed Forces.

Accredited Arab diplomatic circles in Madrid told DIARIO 16 that the Spanish Government had probably not thoroughly seen the consequences which the recognition of Israel would have in the Arab world. "Do not interpret this in the slightest as a suggestion to Spanish authorities because it is obvious that Spain is a sovereign state and can decide freely," said a diplomatic source in one moderate Arab country.

For their part, official Spanish sources indicated that it was logical to assume that the Spanish prime minister would explain to the Saudi Government during his stay in Riyadh that the recognition of Israel should not be traumatic for the Arab world and should be viewed within the context of the "normalization" of Spanish foreign policy.

Explanations

The same sources denied that the main political content of the visit, independently of the request for credits, was to seek Saudi backing and prestige with Arab nations in order to "soften" the Spanish decision. At least, this was the "version" released yesterday afternoon by radical Arab diplomatic circles.

Measures

Nevertheless, there does seem to exist a certain agreement between certain Arab governments with respect to the "measures" that would be taken upon the recognition of Israel. Certain ambassadors in Madrid have commented in recent weeks that if it came about, they had instructions to pack their bags and suspend diplomatic relations with Spain.

On this point, diplomats from the Ministry of Foreign Relations told DIARIO 16 that this would be a measure with great effect and more for the consumption of public opinion in those countries. "Within no more than a year, the ambassadors would be back and in any case, they would never cut consular relations because of the large number of Arabs living in Spain."

When the Saudi Government learned that the Spanish prime minister planned to advance the subject of the recognition of Israel as one more item on the agenda, it informed Madrid through the Spanish delegation planning the visit of the "suggestion" that a delay in making such a decision would facilitate the granting of credits so necessary to the Spanish economy at this time. This is in sum the response of Saudi Arabia, based on what this newspaper has been able to learn from reliable sources.

Saudi Arabia has granted two loans to Spain. The reason for the presence of Minister of Economy and Finance Miguel Boyer on the presidential committee was to negotiate the granting of a credit from the Saudi Bank with government backing.

Arms

With respect to Spanish arms sales, only a few weeks ago, our country signed an initial contract to supply some \$150 million worth of weapons. The Spanish

Ministry of Defense is exerting maximum effort on the lucrative Arab arms market since the signing of substantial contracts would enable Spanish industry to embark upon the manufacture of "long series" from which the Armed Forces themselves would be the prime beneficiary.

The eternal problem for the Spanish arms industry has been that the lack of a foreign market and the small demand of the Spanish Armed Forces stand in the way of large investments needed for assembly line production. To date, the result has been the need to resort to exportation.

11,464

CSO: 3548/175

MORAN RABAT VISIT SIGN OF SUPPORT FOR HASSAN REGIME

Madrid YA in Spanish 26 Jan 84 p 11

[Article by J. V. C.: "Understanding With Spain of Cardinal Importance to Moroccan Monarchy"]

[Text] Casablanca--Moran arrives in Rabat today on a visit that has taken on extraordinary political dimensions as a result of disturbances last week in the northern cities, which were once part of the Spanish protectorate. Moran will be the guest of Abdelvahed Belkziz, , whom he does not yet know inasmuch as the latter has served as the Alawite minister of foreign relations since the Cabinet of Karin Lamrani, a close adviser to the King (an expert on phosphates, the country's main natural resource), was set up in November. The Spanish minister will also meet with Lamrani.

Alid authorities emphasize the especially favorable time for Spanish-Moroccan relations, with the satisfactory application of the fishing agreement signed in August. There is special interest in intensifying economic relations, precisely during these times of deep financial and social crisis for Morocco. It would appear that an understanding with Spain would have cardinal importance now for the Alawite monarchy.

It is to be hoped that Moran's interlocutors will inform him today of the scope of the disturbances and their consequences. There is not the slightest indication that King Hassan might propose a violent claim to Ceuta and Melilla in order to distract all the people in the kingdom in general and in the north in particular from the social discontent, using that patriotic slogan. Neither the military nor the economic conditions currently existing warrant such an adventure. Cooperation with Spain in the near future would be much more advantageous than a confrontation, which could even have serious effects for the unity of the kingdom, inasmuch as the separatism of the Rif would once again be a danger in Morocco, even further weakened by a confrontation -- even if only political, not military -- with Spain, which is capable of blocking part of its commercial relations with Europe.

Morocco is seeking good-neighbor relations with Spain, even if it has not given up its long-range claim to Ceuta and Melilla. It is not thought likely that it will be advanced now, either through violence or intimidation.

Border Tax

The border tax placed on Moroccans going to Ceuta and Melilla is not a discriminatory measure against those Spanish citizens, but rather, is imposed on any hurried Alawite going abroad, Moroccan sources told me. The purpose of the tax is solely to protect Moroccan foreign currency reserves from the extremely difficult economic situation affecting the country and to prevent smuggling. Those in the Ceuta and Melilla region involved in the illegal trafficking of goods -- King Hassan referred to them in his speech broadcast on radio and television on Sunday -- will be prosecuted by the Moroccans, but that is an internal customs matter of the ~~Alawite kingdom~~ that has nothing to do with Spain.

The Moroccans are interested in an intensification of financial investments and in increased tourism from Spain. As a result of the new climate created by the fishing agreement, they believe that closer cooperation with Spain is feasible in all fields, even relating to the future relation of Morocco to the EEC following our entry. Hassan's political course, with respect to Spain at this time, is not one of collision but of understanding. In Morocco, there is a very positive view of what the Socialist Government in Madrid has demonstrated since it took power, willing not only not to destabilize, but to prop up the Moroccan monarchy, for which it has created no problems, not even in the matter of the Sahara.

11,464

CSO: 3548/175

MUMCU ON TRIAL PROCEDURE IN POLITICAL CASES

Istanbul CUMHURIYET in Turkish 21 Dec 83 p 1, 11

[Article by Ugur Mumcu in the column "Observation": "Double Standard"]

[Text] A retired general who was tried in 1976 for a financial crime has joined the Council of Ministers. This distinguished retired general was tried and cleared. No one can ask in reference to this retired general, known by his associates for his honesty, "How could he join the government," because in a legal state it is the verdicts, not the indictments, that count. The distinguished general was found not guilty by the General Staff Court and his record was cleared.

Another general, tried in the same case and likewise cleared, has entered parliament as an NDP [Nationalist Democracy Party] national deputy. Another retired general tried and cleared on other charges by the General Staff Military Court is a PP [Populist Party] national deputy.

These examples show that it is the verdicts of acquittal, not the indictments, that count.

Crime is not decided by "administrative dispensation" in the legal state; the one definitive standard in these matters is the final court verdict. That a citizen tried and found innocent should be judged in subsequent stages of his life, hounded by the indictment of the case in which he was acquitted is as offensive to the conscience as it is to the law.

For this reason, we see it as a gratifying development that the retired general who was tried in the General Staff Military Court and acquitted at the conclusion of this trial should sit on the Council of Ministers. The opposite would be cause for alarm; it would lead to a conclusion that the decisions of the court were not being respected and would call forth unfair and unfounded associations.

Has this principle of the state governed by law been applied also in cases of alleged political crimes? Is it being applied in such cases? Will it be?

If the political crime is abandoned, say, by a citizen who registered in an association in his youth, is this to follow him the rest of his life? If a citizen has put his signature on some leaflet, is this signature to haunt him perpetually in the future?

For example, if a tract signed by a prominent leader of the NDP years ago in the company of the country's socialist intellectuals were first to close the doors of public service to this citizen and then the doors of parliament, would this not be unconscionable punishment? Certainly it would. Many have experienced and are experiencing similar situations. Our question is: Will they continue to? We pose this question to the new government publicly.

Will an article, a signature, or registration in an association by a citizen in his youth follow him the rest of his life as if it were "treason"?

We have a large majority whose language is full of such words as "democracy" and "national will" who use these kinds of concepts only for their own interests and self-aggrandizement. Political crime in the abstract is the opposite of democracy; if anti-democratic practices extend to their own circle, only then is it a matter for debate. The arrest of a president of the bar, of a writer, of a mayor are for them something that makes the newspaper headlines like war reports. However, if an indictment of bank general directors is reported, as the law allows, this is considered a crime! If, between a president of the bar alleged to have committed a political crime and a general director of a bank alleged to have committed a financial crime, we proclaim one of them guilty without waiting for a trial verdict and white-wash the other for our own reasons without waiting for this trial verdict, have we not behaved with disrespect for the independence of the judiciary?

The courts, and only the courts, give the final verdict. One cannot say to a citizen whom the courts have found innocent: "You have been tried and we cannot give you a passport." One cannot say to a citizen who has been tried for a political crime and cleared of the charges: "You may not be a member of parliament and, certainly, never a minister." To do so is to count the independence of the judiciary for naught.

We must endorse and promote this principle of the state governed by law. Be one's view what it may, be the charges on which one is tried what they may, the single standard is the verdict rendered by the court. This is why we are happy to see in the Council of Ministers retired general who was tried by the General Staff Military Court and cleared of the charges. We would hope this principle would have the chance to be applied in the case of our citizens who have been tried for political reasons and cleared of the charges.

We would hope so!

8349

CSO: 3554/109

SODEP'S INONU ON TERRORIST PARDON, LABOR, POLITICS

Istanbul CUMHURIYET in Turkish 6 Feb 84 pp 1,7

[Article by Hikmet Cetinkaya in The Column "The Legal Corner": "SODEP Leader in The Aegean"; passages enclosed in slantlines printed in boldface]

[Text] Dikili-Izmir - SODEP leader [Social Democratic Party] Erdal Inonu said: /"We are in favor of an extensive pardon. I do not believe that urban guerilla acts, particularly killings, can be included in such a pardon."/

In the talks he gave in the districts and villages of Karsiyaka, Menemen, Foca, Aliaga, Dikili and Bergama, he dwelt on the restrictions put on the workers' rights of collective bargaining and of going on strike and said the following:

/"Another thing that ought to be done today is to protect the workers' rights. Strikes and collective bargaining are among the ways to do so. In Turkey, the workers' wages have been raised to acceptable levels through such methods. Our aim is to return, through legal measures to those methods. However, this kind of legal reform will require some time. At some point in the future a project for the protection of the workers' rights will be put forward. As long as such protective measures are not backed by law, it will not be possible to protect those rights with words."/

Inonu gave his first talk in the Karsiyaka SODEP District Headquarters. Inonu, who was met by members of the party with cries of /"Populist Inonu,"/ in his talk there discussed the recent /"harsh criticisms"/ against his party and spoke as follows:

/"We founded this party as a basic support for the establishment of democracy. We do not pay any attention to criticisms of this sort and simply laugh them off."/

Between Karsiyaka and Menemen, Erdal Inonu answered journalists' questions. The answers he gave them went as follows:

Question:/What kind of pardon does the SODEP recommend? /

Answer: We have already expressed our views. We are in favor of an extensive pardon. I use the word "extensive" because some colleagues use the expression "general pardon." Because I think that urban guerilla acts such as robberies,

woundings and murders, and particularly killings which occurred during the period of terrorism we traversed, cannot be included in a pardon. We do not conceive the possibility of their being included in such a pardon. The first thing that comes to mind with regard to an extensive pardon are the offences called political offences which emerge as wounds that especially need to be dealt with once the period of unrest is over. There is no doubt that other kinds of offences could also be included in an extensive pardon. When all the parties in parliament come up with a definite draft bill, by expressing our views on the draft bill we can clarify them better. The only thing we can say at present is that an extensive pardon would be a good thing."

Question: /Would it include ideological offences?/

Answer: Of course, primarily.

Question: / What do you have to say about the accusations of another Social Democratic party against your party?/

Answer: There are no grounds, no basis for such accusations. All those who joined this party accepted its program and agreed to work within it. As anyone who studies the program can see, there is no room in this party for outrageous extremes. The meaning of a social democracy in the Western sense is quite clear.

Question: /What do you mean by outrageous extremes?/

Answer: A party has a clearly defined program. The programs of Social Democratic parties are also clear. The views that do not fit in the programs of those parties are outrageous extremes. On the political platform, the Social Democratic Party belongs to the moderate Left. Because it belongs to the Left for our party outrageous extremes are the views of the Extreme Right and the Extreme Left. There is no room for them to develop within our party.

Question: /One of the Istanbul officials of the ANAP [Motherland Party] invited socialists to become candidates in his party. Do you have anything to say on this subject?/

Answer: It is not up to me to discuss the acts of the ANAP and of the ANAP leader. There is nothing in your question that can change what I have already said. I said we were a Social Democratic Party. That is why those who wish to join our party must accept our program in order to do so.

Question: /The honorable Calp, on his tour of Thrace, said that if the SODEP merged with their party the regime would be threatened. What are your views?/

Answer: It is truly difficult for me to comment on such a peculiar statement. If you wish for a clarification, put the question to the honorable Calp and we might all benefit by it.

SODEP leader Erdal Inonu gave his longest talk in Menemen. Inonu, who spoke for 25 minutes in the district headquarters, said that when they came to power they

would implement a planned economy and solve the problem of unemployment and he added:

/"I do not know how any work can be done by this system which lacks a plan. The fact the government is implementing today its policy, which had been tried before, cannot ensure an equitable distribution of the revenue. And at the same time, when inflation is being brought down incomes should not decrease."/

12278

CSO: 3554/149

OZAL ADDRESSES COE RELATIONS, INFLATION, WAGES

Istanbul CUMHURİYET in Turkish 6 Feb 84 pp 1,11

[Article by Faruk Bildirici: "If Inflation Does Not Drop Wage Question To Be Reviewed"; passages enclosed in slantlines printed in boldface]

[Text] Giresun - Premier /Turgut Ozal/ said that if the rate of inflation rises above forecasts, the matter of civil service wages will be reviewed. Ozal also pointed out that, from Turkey's angle, a positive result had been achieved in the Council of Europe and he said: **/"They cannot throw us out of the Council of Europe. If they do, this will be a shameful act and a blot on the name of the Council of Europe. And if they do throw us out, we will not be too badly shaken."/**

Premier Ozal called yesterday a meeting in Giresun with journalists for an informal exchange. On the subject of raising worker wages on the basis of inflation, he stated that: **/"Raises will be made according to this year's rate of inflation. The 5% tax cut will not be taken into account. This should make a difference in the vicinity of 17%."/** Ozal pointed out that the rate of inflation was not clear yet and said: **/"Adjustments will made in a way that will not create inflation. Wage increases are not the only cause of inflation."/** Ozal stressed that civil servants had been given a raise of 25 to 30% on the basis of the coefficient increase and he also said: **/"I do not know what the calculation is but I believe it is a figure which is not below inflation. In fact we give civil servants in addition the MEYAK [Government Employees Mutual Aid Society] cuts. If we cannot achieve the targeted rate of inflation, we will have to review this matter."/**

In answer to a question concerning the study of a new method of determining the minimum wage, Ozal said the following:

/"The minimum wage is important from the standpoint of the worker. When there is an increase in the minimum wage the number of the unemployed rises. For example, if you raise the minimum wage small town hotels cease to be profitable and close down."/

Ozal disclosed that they were working on a formula regarding the payment for agricultural products which, instead of being made in one lump sum, would be made in instalments spread over the whole year. Ozal pointed out that in this was part of the price would be given as an advance before the products were delivered.

On the subject of mining, Ozal said:/"It does not matter whether the capital is domestic or foreign, the important thing is to extract the mineral."/

The Premier noted that they/"wished to keep up their connections with Europe and the Council of Europe"/ and added:

/"This is an interesting subject. At the beginning we were given advice: be careful not to go during this period. You will not be accepted and will be turned out. Even we began to 'wonder'. Because I was not acquainted with the matter.

I had not studied it in depth. Then we were faced with a series of coded messages from various embassies, telegrams from ambassadors. Information to the effect that Steiner had prepared such and such a report, that so and so had said the following, began to arrive. When we put everything together and examined the question we realized that the situation was not at all like that, that it made no difference whatever whether Turkey was accepted at one time in May rather than in January. The following thought dominated us: if we are members of the Council, and as it is evident that the 6 November elections were entirely above board, our presence there is consequently perfectly natural. And if we did not go, it would be inferred we distrusted ourselves in advance. For they had produced all kinds of pretexts before the elections even took place, saying the 6 November elections would not be fair, that some parties were not allowed to participate in them, that some of the candidates had been vetoed. And so they said they could not accept a parliament elected under such conditions. Whereas the elections were correct. And even according to the writings of their own press, a party which was not a favorite had come to power. Thus, if they are aware of this and continue to say that the elections were not fair, then this means that they have very preconceived ideas.

For our part, we organized a meeting with the leaders of the other parties, chaired by the President of the Assembly. We talked. And decided to send our parliament members there and if they were not accepted to leave [the Council] altogether. A grave draft resolution had been prepared for the Steiner-Lanzeretti Meeting. That resolution would have been passed had we not attended the meeting of the Council of Europe. When they realized that we would leave the Council of Europe altogether, the draft resolution was not even put up for a vote. Otherwise, a very serious resolution had been prepared and that draft resolution would have been passed.

We must look now at the matter in this way: no matter how much we may wish to become Westerners, Europeans wish to cut Turkey off from Europe. This gives us some leverage. We had the right to be present. We sent our people and my opinion as to the results is the following: all the street-corner writers who wrote 'Did we have to go, what was wrong with going in May?' are now trying to back down. They also used the translators' strike as an argument.

That was not the way it happened. Had the translators not gone on strike, I am willing to bet that our parliament members would have still remained there.

"If They Wish to Throw Us Out, They Can Still Do It."

May now lies ahead of us. At present our parliament members are there. They

took part in the voting and obtained the title of members of the Council of Europe. And I am not at all convinced that from now on they will throw us out. They do not have the right to do so. Let me say it openly, this would not shake us too much. It would not affect us, we do not care at all. We have shown our good intentions. We wish to maintain our connections with Europe and the Council. This is my sincere wish. But if, by playing various games, they wish to throw us out, they will do so; if they have any strength, they will. And so we will not return there. Nothing will happen if they throw us out, they are not as important as all that. From Turkey's angle, a successful result has been achieved. I do not want to elaborate any further as I do not wish to upset anybody."/

12278

CSO: 3554/149

HP'S CALP ON NEBULOUS MEANING OF 'SOCIAL DEMOCRAT'

Istanbul CUMHURİYET in Turkish 6 Feb 84 pp 1,7

[Article by Fusun Ozbilgen in The Column "The Legal Corner": "HP Leader in Thrace"; passages enclosed in slantlines printed in boldface]

[Text] HP [Populist Party] leader Necdet Calp sharply criticized the SODEP [Social Democratic Party] on the second day of his tour of Thrace, saying:

/"Like an inflated balloon, without keeping their feet on the ground, they talked big. I said let everyone take their measure and made it possible for them to be included also in the elections."/ Calp also said:/"Everyone, according to what goes on in his head, claims 'I am a Social Democrat'. What kind of Social Democrat? Or do they say they are Social Democrats so as not to admit they belong to a party that has been disbanded, abolished?"/

While Necdet Calp did not touch on subjects related to the SODEP in the talks he gave in Edirne and Kırklareli, when some youths directed questions and criticisms at him about the SODEP joining his party he began to explain his views on this subject:

/"I apologize to the head of the SODEP district headquarters who welcomed me here but we cannot merge with them. We clasp to our bosom true Social Democrats but among them there are people we do not wish to join. And that is why we cannot merge. We cannot form a joint party with the SODEP. We cannot function together. Take note of this. Everyone, according to his whim, says "I am a Social Democrat." What kind of Social Democrat? Is it to avoid saying they belong to a party that has been disbanded, abolished, that they say 'I am a Social Democrat' or are they Social Democrats like the Social Democrats of Germany? Are they Social Democrats of the German Social Democratic Party prior to 1949 or of the kind that came after? When Lenin left Switzerland, the party he had founded was also called the Social Democratic Party. Everybody must clearly expose his convictions, his line of thought. We are the only Social Democratic Party to disclose our principles and delineate our bounds. To this day they have been unable to say what kind of Social Democrats they are, to define their party line."/

Before getting to Malkara, Calp also stopped by Kırklareli and Edirne and in the talks he gave there he criticized the fact that the President of the Assembly

/Necmettin Karaduman/ ranked 3rd on the protocol.

"I wish to believe that the President of the Assembly will show from now on the care and attention which is due to the Assembly. Because the fact that he is a member of the same party as the Premier should not prevent him from doing what is required by his duties," he said.

Calp pointed out that, according to the pictures and the news items published in the papers, President of the Assembly Necmettin Karaduman came immediately after the Premier. /"The President of the Assembly, in the absence of the President of the Republic, represents him. I saw a picture that will cast a shadow on the Assembly's prestige. His appearing 3rd in rank has upset us."/

Necdet Calp also noted that the government avoided the sessions of Parliament and he said:/"The government shows a tendency to rule the nation outside of the Assembly through resolutions that have the force of law. The government is developing a new system and is trying to rule the nation by making vital decisions without bringing them before the Assembly."/ Calp recalled that the people had their eyes fixed on the Assembly and expected it to function normally. /"The government must renounce this course,"/ he said. Calp also recalled that through resolutions with the force of law some tax exemptions had been secured and he spoke to the effect that: /"It is also said that foreigners will be brought in and that they will not be taxed. We are emphatically opposed to this. When we come to power we will rescind those resolutions."/

12278

CSO: 3554/149

BONN TO RENEW DEVELOPMENT, DEFENSE ASSISTANCE

Frankfurt/Main FRANKFURTER ALLGEMEINE ZEITUNG in German 10 Feb 84
p 3

/Text/ Following a recent cabinet decision, the federal government intends "in principle" to continue its development and defense assistance to Turkey in 1984. In a second report (the first dates back to December 1982) on "development in Turkey" the government pointed out that development cooperation serves the Turkish people, and that defense assistance "is a tangible expression of our solidarity and of our willingness to share the burden within the alliance." It also contributes to our own security. Bonn expects "that the process of democratization will be continued." Turkey's internal political development during the past year is characterized by the following statement: that progress "has been made in the process of democratization," but that development in Turkey is lagging behind the German parliament's expectations. They had been expressed by parliament in June 1981--more than 6 months after the military coup--and the federal government was instructed to present its views.

In agreement with the OECD, the federal government considers further project assistance for Turkey as 'indispensable;' however, no more immediate aid programs are planned. The defense assistance granted in December 1982 for 18 months will run out in mid-year. A further contribution of the same duration and the same amount of DM 130 million would then have to be concluded. But individual projects would still have to be discussed with Ankara.

Giving its due to developments of the past year, up to the Turkish parliamentary elections, the report states with diplomatically worded reservation that Turkey "has taken steps in the direction of a new democratic order" which, at year's end, "have taken on an encouraging character" with regard to the future development of the country. The laws governing parties, trade unions, and elections, permitted "to a certain extent" a renewed beginning of the country's political life. The elections "had given a new impulse" to the creation of a democratic order. On the other hand, Bonn's dissatisfactions are expressed clearly. "Development in Turkey was also characterized

by serious interference by the Turkish government in the forming of new parties and in the freedom of the press." It is pointed out that last year, the "Greater Turkey Party" was outlawed and several democratic politicians, among them former Prime Minister Demirel, were interned. A veto by the National Security Council against several hundred founding members of other parties prevented their participation in the parliamentary elections. The military leadership vetoed 672 out of 1683 candidates for the parliamentary elections.

The election results--despite the imposed electoral duty--showed that Turkish voters had not boycotted the party system foisted on them. At the same time, they disregarded the election recommendations of President Evren. Bonn now banks on the municipal elections in Turkey on March 25, for which the participation of presently banned parties is ensured. It is also stressed that the state of emergency, which was extended by the military government immediately after the parliamentary elections in November, is limited to March 10 and that its extension is no longer within the power of the military, but needs parliamentary approval. "A review of the state of emergency will be the first democratic acid test for the new parliament," says the report.

The federal government declared that it had raised the question of disregard for human rights with the government in Ankara, "repeatedly and emphatically," most recently in January at a meeting between foreign minister Genscher and Turkish foreign minister Halefoglu in Stockholm. "However, the positive changes in 1983 lag behind what is needed." But the government policy statement by new Prime Minister Ozal shows that he is aware of "the importance of human rights, and rights of freedom."

The federal government reminds one that in Turkey, judges and civil servants, for example, cannot be members of political parties and that regional parties are prohibited. The law on trade unions contains a "ban on political activity" as well as the obligation to deposit trade union funds at a national bank. Trade unions whose leaders had to stand trial, cannot resume their activities until the defendants have been acquitted. which concerns the trade union "Disk" in particular. Freedom of the press is subject to the National Security Council's restrictive rules, which should be abolished by the new parliament.

In its view on the treatment of Turkish prisoners by the authorities, the federal government shows itself of two minds. Reports of torture and maltreatment are still heard, and sometimes it is even claimed that, in contrast to former times, "there is systematic torture." On the other hand, torture is a criminal act under Turkish law, and many cases are being investigated. Several judgments of acquittal have been set aside recently. Since the beginning of June 1983, no more death sentences have been carried out.

ADDITIONAL DETAILS ON LEAD IN CONTINGENCY GAS STOCKS

Stockholm DAGENS NYHETER in Swedish 25 Jan 84 p 5

[Article by Thomas Michelsen]

[Text] Hidden away in underground facilities all over the country is a gigantic lead problem: the country's secret wartime reserves of gasoline, which contain nearly five times as much lead as today's gasoline. Today no one knows how we are going to get rid of that highly leaded gasoline. Should it be used up in automobiles before unleaded gasoline is introduced? Should the wartime reserve even delay the introduction of unleaded gasoline and exhaust emission controls?

Far off in the forests, hidden away near railway tracks half covered by weeds and protected by thick rock, lie Sweden's gasoline reserves. That is the gasoline that will be used if war comes--it will power the entire machinery of defense.

Concealed underground, all that gasoline has been stored since the 1960's and the early 1970's.

Must Be Replaced

The contingency stock of gasoline was obviously of excellent quality--frequent tests show that it is still completely usable. But it also has a serious defect: it contains too much lead--0.7 grams per liter. Today's gasoline is permitted to contain not more than 0.15 grams, and in a few years it is to be completely unleaded.

David Davidsson, section head at the National Economic Defense Board, says: "If there is a war, traffic will be so light anyway that it cannot make much difference if the gasoline does contain more lead."

Instead, the problem will arise on the day when the contingency reserve of gasoline--already 10 or 20 years old--starts to be too old and has to be replaced. When that day comes, how will we use up this highly leaded gasoline from the reserves?

There is also the circumstance that the country is getting ready to switch to unleaded gasoline and catalytic converters. Those converters will be completely ruined if they are exposed to leaded gasoline exhaust.

The gasoline in the concealed underground storage facilities belongs to the petroleum companies. They received loans and subsidies for storing it when the program was introduced in the 1960's and 1970's.

Now the industry has sounded the alarm because the conversion to unleaded gasoline is drawing near. Tommy Nordin, director of the Petroleum Institute, says:

"It is true that the stored gasoline is good now, but sometime in the future it will have to be sold. And within a few years, there will not be any distribution system for leaded regular gasoline or any cars designed to use it."

Delay

There are not even any countries to which we would be able to export leaded gasoline. Every country except Turkey and a few African countries has limited the highest permissible lead content to 0.4 grams per liter or less.

Tommy Nordin says: "There is no technological means of removing the lead from that gasoline. The most appropriate solution is to use up the stocks instead. We can't get rid of it just by selling it in sparsely populated areas. It must be distributed in the metropolitan areas, where the consumers are."

Tommy Nordin feels that this may delay the introduction of unleaded gasoline in Sweden by a couple of years. It will take about a year to empty the tanks holding the contingency supply. This is due to the big practical problems involved. For example, the country does not have enough railway tank cars. At present, of course, Swedish gasoline is brought to storage farms on the coast by tanker and then distributed inland by tank truck.

Awkward

David Davidsson of the Economic Defense Board says: "The contingency gasoline is for use in both military and civilian traffic. It is completely marketable today. But eventually the gasoline will get too old, and then there will be sediment on the bottom."

David Davidsson says: "The best solution is to replace the gasoline now. But preparedness must not be undermined while the gasoline is being replaced. It should be stored somewhere else in the meantime."

Valfrid Paulsson, general director of the Environment Protection Board, says: "Using the highly leaded gasoline in the metropolitan areas is the worst possible solution from the environmental standpoint. Personally, I am surprised that the highly leaded gasoline in the contingency stockpile has not been replaced. There have been provisional regulations. We have assumed that it would gradually be replaced. Now they have placed us in a truly awkward position."

There is currently no law banning the use of highly leaded gasoline in Sweden. Only its production and importation are banned

Under the terms of a previous regulation, anyone using highly leaded gasoline from the contingency stockpile had to report that use to the Product Control Board. That regulation was rescinded in 1980.

According to the letter of the law, therefore, the path is open for distribution of the highly leaded gasoline--in the Stockholm region, for example.

11798

CSO: 3650/114

ROLE OF MINE STATIONS IN DEFENSE AGAINST SUBMARINES VIEWED

Stockholm SVENSKA DAGBLADET in Swedish 31 Jan 84 pp 1, 7

[Article by Erik Liden and Omar Magnergard]

[Text] There may be a connection between the divers and the tracks on the seabed--probably those of a minisubmarine--that were reported on by the OB [supreme commander of the Armed Forces] on 20 December of last year.

So says Comdr Sven Carlsson, information chief for the Naval Staff.

The Armed Forces also received reports in 1981 indicating that visits had been made to secret military installations, chiefly in the Stockholm archipelago.

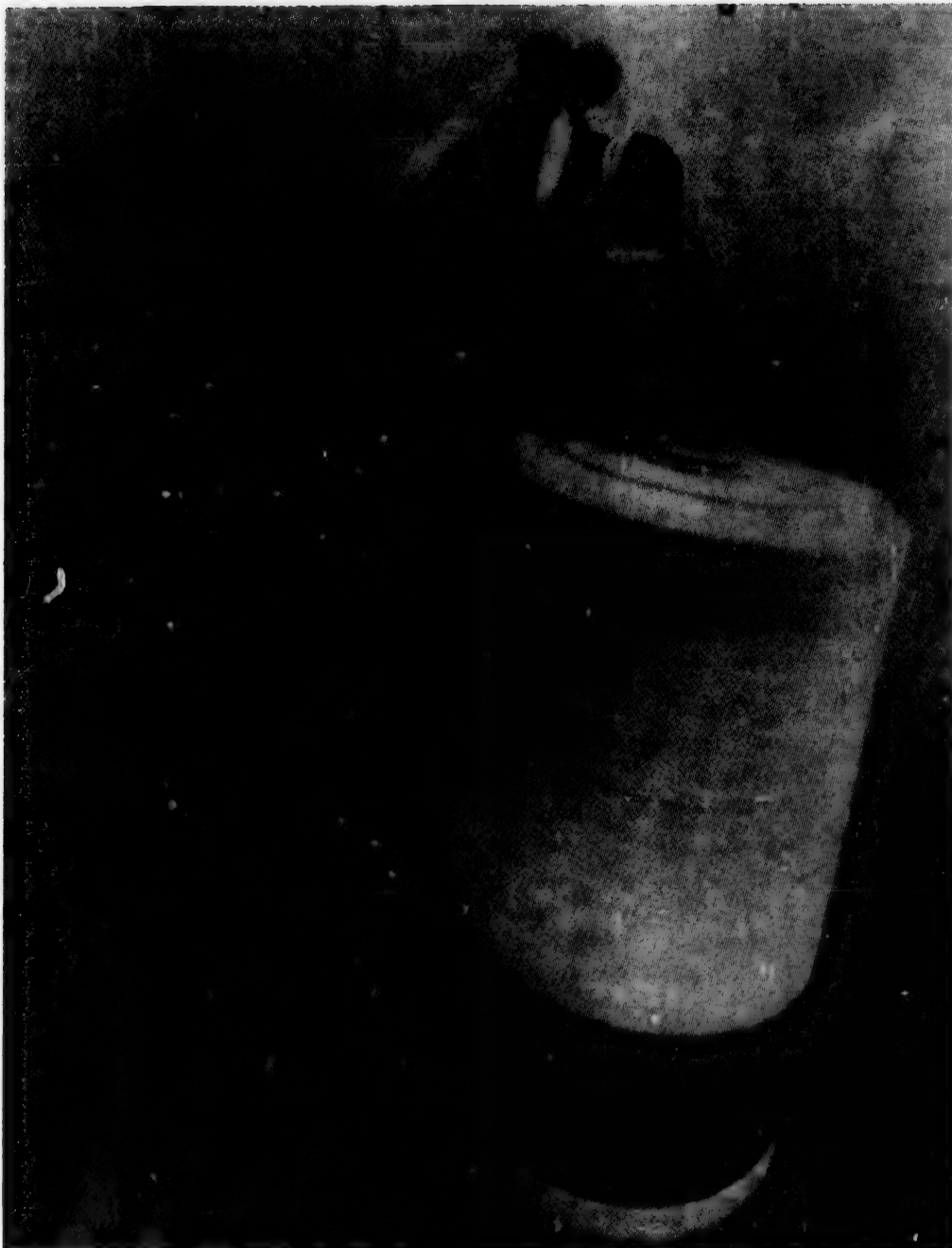
There are over 100 mine stations along the Swedish coast. It was at one of those stations in the Stockholm archipelago that three foreign divers were seen last fall.

Sub Tracks, Frogmen May Be Connected

As far back as 1981 the Armed Forces received reports indicating that visits had been made to secret military installations, chiefly in the Stockholm archipelago. Those reports were hushed up because they could not be verified and above all because they could not be identified.

Following the disclosures over the weekend, those reports, like the yachtsmen from Poland who were turned away from restricted military areas on several occasions in the mid-1970's and later, are leading many people to wonder what the purpose of those unwelcome visits is.

Politicians and military men alike point to the Submarine Committee's report, in which operational planning in sensitive Swedish military areas is mentioned as one objective. Another possibility is preparation for sabotage.



A diver inspects one of the floating mines located a few meters under the surface of the water. The diver is Swedish, and this picture was taken in connection with the regular inspections that are made of the minefields which are laid in peacetime but which are not dangerous. (Photo: Kent Hult)

Special Report

The fact that OB Lennart Ljung submitted a special secret report on the three divers to Minister of Defense Anders Thunborg last October is explained by the fact that the OB had reported suspected submarine intrusions on 16 September, and he wanted to call the government's attention quickly to this new spectacular evidence.

On 20 December, the OB submitted a new submarine report in which, among other things, he drew attention to tracks that had been filmed on the seabed offshore from a mine station in the Stockholm archipelago. Those tracks resembled the minisubmarine tracks in and outside of Hars Bay in 1982.

In December, the OB declined to say when the new tracks had been filmed, but they may date from the period of September and October, when divers were observed both in the Soderarm area and during the major maneuvers in Bra Bay. A final report on those incidents is expected in a few weeks.

Possible Connection

"There may be a connection between the tracks filmed on the seabed and the appearance of the divers," says Comdr Sven Carlsson, head of information for the Naval Staff. "I am not allowed to say whether there is a geographical connection, and it is impossible to determine after the event whether they fell within the same time period."

The tracks reported by the OB on 20 December were filmed long after the visit by the minisubmarine. The final report is to show whether the tracks were those of the minisubmarine that delivered the frogmen offshore from the mine station in the Soderarm area.

Mine Stations: Important Defense Against Invasion

"A very important weapon in the defense against invasion." That is how one military man describes the mine stations. Sweden has over 100 of them along its coasts.

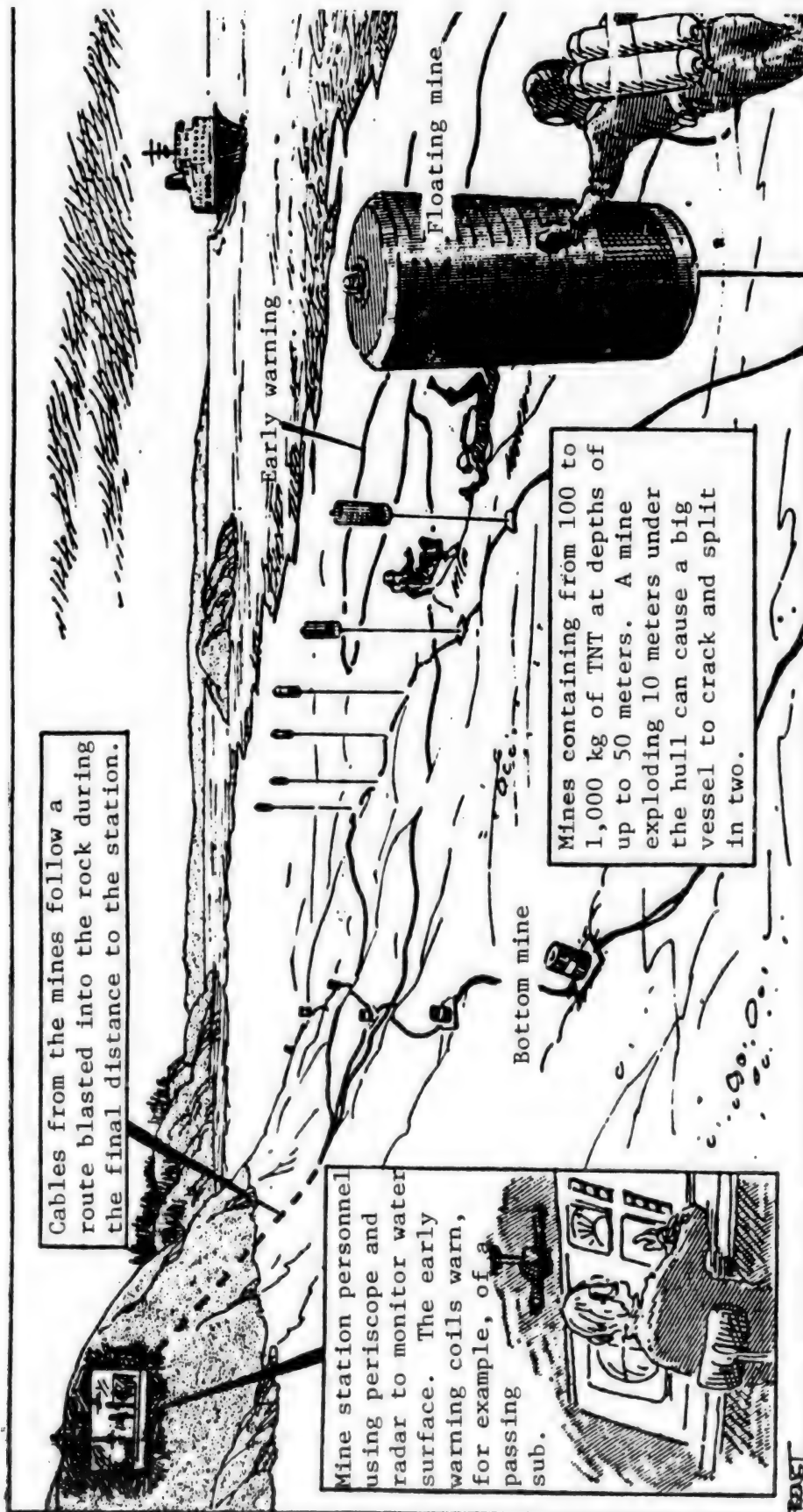
The three foreign divers in September were seen at one of them.

The mine stations block the passages and entrances leading through the archipelagos. When the mines are activated, any vessel trying to pass through is in danger of being blown up.

In some places there are only a couple of mines. But elsewhere there may be a dozen or more mines attached to the same station.

There are several hundred mines in position today. But they are "dead"--that is, they have not been activated and are therefore completely safe.

But when activated, they become a highly dangerous threat to any intruder. The personnel assigned to the mine stations either work in their vicinity or can be flown out to them quickly by helicopter.



One of Sweden's over 100 mine stations. Floating mines operate against surface ships, bottom mines against submarines. A cable leads from each mine to the mine station, which is usually located in a shelter blasted from rock. Most approaches of military importance have minefields today. They can be activated in about an hour.

Moored

Both bottom mines and floating mines (which lie slightly below the surface) are moored.

A cable from each mine runs along the seabed to the mine station. The final stretch, where the cables come together and complete their trip to the underground station, is the most sensitive. In most places, therefore, the cables and coils are encased in cement or laid inside the rock itself.

One naval officer commented: "The next time the frogmen come, they will probably bring bolt clippers along to try to cut the cables--or an explosive charge with which to blow them up."

The visitors should be advised, however, that there are also countermeasures against things like that.

The mine station in the Stockholm archipelago that received the visit has been carefully inspected. No damage was discovered.

The supervisor who saw the trio knows for certain that the frogmen had rope and "measuring rods." They were probably there to make an accurate survey of the installation. The distance between mines can give an indication of the size of the charges. It is also considered likely that they wanted to establish definite checkpoints for orientation on the seabed.

Connected to most mine stations are magnetic coils which--depending on the geography of the seabed--are located a kilometer or more away from the minefields themselves. The purpose of those magnetic coils is to give the station advance warning if a submarine or other vessel approaches.

Inside the station, the warning is indicated by readings on gages.

When a minefield is activated, each individual mine also indicates when it is ready to be exploded. It reacts to pressure, noise, or changes in the earth's magnetic field--caused by the foreign vessel--and at that same instant, two yellow lights come on in the mine station.

At that point, the personnel can turn a red key to let the mine detonate. If it is set to operate automatically, it explodes by itself--at the right moment--without manual signals from the mine station onshore.

Minefields were used in both world wars. At first, mines were considered "a poor man's weapon." Now they are regarded as an effective and significant component of defense against invasion and are part of a sophisticated weapon system. Almost all sea approaches of military importance now have minefields.

The mine itself consists mainly of TNT.

"Enough to blow up any kind of vessel that exists in our part of the world," say Wyn Enqvist and Rolf Rosen of the Naval Staff's Information Section.

No Results

During the submarine incidents in Hars Bay and Sundsvall, a total of seven mines were detonated, but without result, as we all know.

Thunderstorms were once a problem, but that has been solved: each mine now has lightning protection. The Naval Staff emphasizes that no yachtsman need fear that mines are going to explode under and around him now.

There has been talk before of foreign divers in our territorial waters in various contexts.

First Time

"But there was never any tangible proof," explains Bertil Lagerwall of the Defense Staff. "This is the first time we seriously fear that there may have been foreign divers inside a Swedish restricted area."

Since the Submarine Committee submitted its report just under a year ago, the Armed Forces have received telephone calls from the public concerning nearly 1,000 sightings. Many people have called or written about the same phenomenon, and many have been heard from entirely too late.

11798

CSO: 3650/114

NAVAL CAPTAIN DISCUSSES INCREASE IN SUBMARINE INCURSIONS

Stockholm SVENSKA DAGBLADET in Swedish 31 Jan 84 p 3

[Op-Ed article by Navy Capt Ake Johnson]

[Text] Ake Johnson is a captain in the navy. He has served in the past as naval attache in Washington and as chief of operations in the Southern Military District.

Just before the end of the year, the supreme commander of the Armed Forces submitted another report to the government concerning submarine incidents in 1983. Judging from published portions of that report, it dealt mainly with events during the fall, although naturally as a followup to what had been happening earlier.

To a great extent, the interest shown in the report by the mass media seems to have centered on the fact that the supreme commander did not feel he had enough facts to be able to state the nationality of the intruding units. This is believed to be due partly to the fact that the intruding submarines are now operating in a more cautious manner tactically.

From all indications, they are not leaving as many or as obvious traces (physical, electronic, and so on) as they did before. It is felt that for one thing, they have been forced to take our countermeasures into account and to adapt accordingly.

Soviet Units

What this means, naturally, is that the intruding submarines are of the same nationality as the units covered in the report by the Submarine Committee--they are Soviet.

With the results for 1983 before us, we can therefore see that after the much-publicized operation in Hars Bay in the fall of 1982, the intrusions continued during practically all of 1983.

Several hundred sightings have been reported. A good many of them have been dismissed for various reasons. But that leaves a considerable number that can only be explained by the fact that foreign submarines have been violating Swedish territorial waters.

In other instances, the sightings resulted in submarine search operations that attracted more attention. Examples are Sundsvall in April and May, the Tore area in July and August, the Karlskrona area in August and September, and the Ostergotland archipelago in September and October.

While the intruding submarines are behaving in a more cautious manner tactically, the same can scarcely be said about their operational behavior. It can be noted that the intruder has not hesitated to penetrate our base areas, where vigilance is normally greater than elsewhere.

Even that has not been enough. In several instances, the intrusions in those areas have occurred at the same time as major exercises, when vigilance and the possibilities for counteraction are even greater.

This operational pattern points to very strong confidence in the capability of the intruding submarines--and of their supporting systems. It also indicates close familiarity with our defense systems and their current weaknesses--weaknesses which, one hopes, will be remedied, even if it takes time.

Escalation

When the Submarine Committee published its report in the spring of 1983, many people probably thought that its straightforward speech and well-substantiated report would bring the submarine intrusions to a halt. That is not what happened.

If anything, one can say there has been an escalation. What is more, the Submarine Committee's report almost coincided with one of the bigger submarine search operations--that in Sundsvall.

Perhaps despite everything, there is a sort of cold logic in this. Since our opposite party did not acknowledge his guilt, he did not want to prove his guilt by stopping what he was doing. Our countermeasures had also proven to be inadequate, so it was reasonable to complete the program before we got better, if we were going to.

Greater Risk

Many people naturally wonder what will happen now that Sweden is the host country for an international security conference that is concerned in part with measures for establishing credibility. Will the intrusions continue or will they stop?

If one of the participating countries is exposed while a conference on detente is going on--a conference whose goals it professes to support--the political handicap will naturally become extra big. Moreover, the risk of being exposed should increase as time goes on as a result of our hopefully increasing capability.

The purpose of the submarine violations has been debated to some extent, but primarily in terms of their possible secondary goals: intelligence gathering

and so on. What purpose those secondary goals will serve collectively is something that we read about less often--perhaps for self-evident reasons.

Norway Also a Target

When discussing this issue, one ought to remember at least two things in addition to the events that occurred in 1982 and 1983.

The first is that the submarine incidents did not begin with the operation in Hars Bay that created a stir in the fall of 1982. If anything, the consequence of that operation was that earlier sightings took on new meaning. Sightings that had previously been dismissed by saying that "the water is too shallow for a submarine to be there" and so on became topical again. The reconstructed picture ought to have been both enlightening and alarming.

The second thing is that Norway has also been the subject of prolonged and bewildering interest on the submarine front. According to reports, Norway can list at least as many violations--or suspected violations--as we in Sweden can. In Norway's case, moreover, they can scarcely have been initiated by some other NATO country. And the sightings in Norway have also led in some cases to operations attracting a lot of attention.

Strategically Important

The picture of submarine incidents in Norway is also of clear interest to us, since Norway constitutes a strategically important part of the Scandinavian Peninsula. The reason, obviously, is its geographical location. The peninsula, including its airspace and its territorial waters, can be used by the superpowers for both offensive and defensive purposes (remember, for example, how the Norwegian location was used during World War II).

Both Norway and Sweden are small nations and relatively weak militarily (although Norway is supported by NATO). Besides--at least in Sweden's case--the peacekeeping effectiveness of the military forces has been declining over a number of years. It may be appropriate here to point to the neglected area of antisubmarine resources, which well illustrates what the result may be and will be if we do not maintain a reasonable deterrent force.

Military Undertakings

The recurring submarine intrusions underscore in a concrete manner this interest in the Scandinavian area. They indicate that that interest is not simply of the philosophical military sort.

It is a question of specific military undertakings that must provide the one who gave the order with information concerning and verification of his own plans, which do exist in some form, whether that is admitted or not by him or us. After that, there can be discussion as to whether the submarine intrusions are also aimed at sending us and others political signals and so on and, if so, what the signals are supposed to mean.

Interest in the Nordic flank is also reflected in other contexts, one being the discussion concerning a so-called nuclear-free zone in Scandinavia, which would possibly be guaranteed by parties other than ourselves. The same discussion is also underway concerning the southern flank: the Balkans and Turkey.

It may be wise not to be too quick with limited security initiatives of that and other kinds. In our day, one must think of larger areas so that the dangers are not imported from one region to another.

11798

CSO: 3650/114

PAPER URGES ADDITIONAL FUNDING FOR AIR FORCE

Stockholm DAGENS NYHETER in Swedish 25 Jan 84 p 2

[Editorial by Svante Nycander: "Defense and Security Logic"; passages enclosed in slantlines printed in boldface]

[Text] The parties have now begun conferring on how much the Armed Forces should be cut back during the current 5-year period. It is regarded as an unrealistically high order to fulfill completely the intentions expressed in the 1982 defense decision.

At the same time, the parties seem to agree that Sweden has become less secure. That opinion is reflected in the section on "Security Considerations" in the budget's chapter on defense. To a great extent, the text is identical to the corresponding section in last year's budget, meaning that there is reason to note any new wording that does pop up. Nothing in the text has been changed by accident.

Both texts talk about the growing strategic importance of the Nordic region. Last year's text said: "One reason for this is the expansion of Soviet naval bases on the Kola Peninsula." This year the government writes: "The main reason for this development is the expansion...." So it is primarily the Soviet Union that has drawn the Nordic region into the area of tension.

Last year, the government wrote that the increase in military activity in the Nordic region /could not/ be viewed as directed against Sweden. This year it writes that the increased activity /should not/ be viewed as directed /primarily/ against Sweden.

The purport of this is that the activity can be viewed perfectly well as directed against Sweden.

A third example:

"World developments in recent years do not alter the general conclusions reached in the 1982 defense decision." That wording has now been replaced by the following: "The /serious/ world developments of recent years do not alter the /basic/ conclusions reached in the 1982 defense decision." (Emphasis ours.)

The emphasis is on the word "basic." When it comes to matters not covered by the foundations of the security policy, there are grounds for drawing new conclusions based on what is /serious/ in the developments in question. That is how the text must be read.

The logic in that statement is that the demands placed on the Armed Forces have increased. If anything, the discussion ought to be concerned with efforts in addition to those called for in the 1982 defense decision.

In one area--protection from foreign submarines--everyone agrees on that conclusion. During the 1980's, we will spend over 1 billion kronor--most of it fresh money--to protect our territorial waters.

We are inadequately armed for antisubmarine measures in peacetime conditions. It is usually said that that type of threat was underestimated by everyone during the 1970's. Antisubmarine protection was given low priority by political and military experts, including the OB [supreme commander of the Armed Forces] and the navy chief of staff. The probable explanation is that everyone's thinking was directed toward wartime situations, whereas the need for defense against incursions and provocations during a tension-filled peacetime was completely forgotten.

There were exceptions. During the 1970's, for example, Alva Myrdal emphasized the importance of strong border defenses against peacetime violations of our neutrality. What that meant was that she wanted to give priority to air and naval forces--"enough to effectively guard our frontiers, our airspace, and our territorial waters... and prevent violations of them." It should be possible to repel every violation immediately, since otherwise neutrality itself would start to slip ("Eleven Views of Swedish Neutrality Policy").

What is primarily at stake now is air defense. We are facing the possibility of having to close down three Draken squadrons prematurely in addition to those that were sacrificed last year. The defense budgets have declined in real terms because of devaluation, the higher dollar rate, and Social Democratic haggling over the appropriations last year.

Of the 19 fighter squadrons that existed in 1973, we now have 11 left, and we are in danger of losing 3 more, even though the aircraft will still be usable for many years to come.

If we do lose them, the shrinkage will harm a defense function that is of great importance precisely to the protection of our neutrality. Air defense is one of the areas in which Sweden has the rest of the world's respect.

Closing down Draken squadrons as a result of changes in exchange rates that have benefited Sweden more than they have harmed it--from the standpoint of their combined effect--would mean drawing an erroneous conclusion from the government's very correct assessment of our security situation.

As a way out, the government is proposing a budget increase so small that it will be paid for by adding another 14 ore to the gasoline tax--and 300 million

kronor of that will be left over for increased aid to developing countries. That proposal is not in keeping with the demands that we are all going to place on military preparedness.

The higher gasoline tax should be accepted, but new cutbacks are also needed. Some of them can be found among the "death patrol's" proposals for reorganization measures in the peacetime organization that have not been carried out.

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AIR FORCE CHIEF DEFENDS VALUE OF DRAKEN UNITS

Stockholm DAGENS NYHETER in Swedish 7 Feb 84 p 6

[Article by Harald Hamrin]

[Text] Storlien, Monday--"The Armed Forces need an additional 2 or 2.5 billion kronor if we are to definitely save the three Draken squadrons now being discussed. But it may be possible to keep those three squadrons even with 1.8 billion kronor."

So said Gen Sven-Olof Olson, air force chief of staff, in Storlien on Monday as he participated in the People and Defense organization's annual conference.

In an indirect controversy with Minister of Defense Anders Thunborg, who had said on Sunday that the JAS and Viggen should take priority "over using every possible hour of flying time in the Draken squadrons," General Olson said it was not true that "we fly Drakens just to be flying."

He said: "Both the supreme commander of the Armed Forces and I have given priority to the Viggen and the JAS. But at the same time, I consider it natural and logical that we should keep what we have and what is doing some good now."

General Olson rejects claims that the Draken squadrons are out of date, arguing emphatically that "they are effective and fulfill an important function." According to the general, the actual fact is that with the number of Draken squadrons having already been reduced, the remaining squadrons are even more effective because missiles from retired aircraft can be used on the remaining planes.

General Olson said: "Moreover, it will be very unfortunate if steps are taken now and later turn out to have been unnecessary and also irreparable." He also said that the very debate over whether the Draken squadrons should stay or go has brought into focus the problems we are facing in general.

Something else that has not been noticed in the debate, according to the air force chief of staff, is that it is quite simply not possible to shut down the three squadrons immediately.

He said: "Even if I decided today to shut them down, the earliest possible date for doing away with them would be 31 December 1985."

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MAYSTADT, JANSSEN DIFFER ON GOVERNMENT FINANCES

Views of Employers' Janssen

Brussels LE PEUPLE in French 19 Jan 84 pp 1,2

[Interview with FEB president Daniel Janssen by Christine Laurent: "Daniel Janssen, 'the Bosses' Boss,' on the Government's Policy: 'Practically Nothing Has Been Done for Government Finances'"; date and place not given]

[Text] Next 26 April Daniel Janssen, the "bosses' boss," will leave the presidency of the FEB [Federation of Belgian Enterprises] after, as its charter provides, having served a term of 3 years. Next 26 January the FEB administrative council will appoint his successor: a speaker of Flemish, to respect the linguistic alternation. In the eyes of many observers it is Mr Leysen who ought to be appointed, nominated by Mr Janssen. After 3 years in office what is the record Daniel Janssen can point to, he who (as the leader of a federation that is one of the pillars of the country's economic and political life) has lived through the political changes that have intervened in the meantime, Martens IV making room for Eyskens I, who was himself replaced by Martens V?

Has the present coalition's policy had beneficial effects on investments, on employment?

Have business firms gotten out of their trenches as Daniel Janssen recommended they do in March 1982?

Has the employers' line changed since the crisis, have company heads gotten tough?

Where does the social contract stand, how have union-employer relations evolved?

We tackled all of these issues with Daniel Janssen. It should be noted in passing — and this is a point worthy of our attention — that the "bosses' boss" is situated in the mental and physical space of Belgium. Do we not in fact find the word Belgium dozens of times in his commentaries, a word that without a shadow of a doubt must still have a real and particular meaning for him?

[Question] What conclusions can you draw after these 3 years as president? What have you contributed to the FEB?

[Answer] It's up to others to say what I personally have contributed. What is important is to take stock of what Belgium was 2 years ago, what it is today and what's going to become of it. When I became president in 1981, we were in an economic and social situation which I would describe as dramatic since Belgium was in part out of the running as far as the international competition is concerned. There were four fundamental imbalances: a disastrous ability to compete with wages from 10 to 20 percent higher than those of our competitors, a current balance of payments that showed a deficit of 155 billion, or 2 percent of the GNP, government finances exhibiting a very serious deficit on the order of 12 percent of the GNP and, lastly, an already extremely high rate of unemployment. Where do we stand today? Our ability to compete has indisputably been restored by the steps taken in 1982: devaluation and moderation in wage hikes. And Belgium was competitive in 1982 and 1983. Our concern is to see to it that it remains competitive in 1984 — and, after that, that it remains so in 1985 and 1986.

Now, as far as 1984 is concerned, we are extremely concerned and uneasy. The restoration of indexing — even smoothly applied — leads us to believe that our ability to compete will decline in 1984. Consequently, we urgently ask the government to apply what it has called "the European competitive norm" so that our ability to compete can be maintained. To do this, some form of moderation in wage hikes will obviously be necessary. Not one that is as strict as that of 1982 and 1983, but simply moderation. This means that Belgian wages should not be raised faster than those of our neighbors. What we hope for is, therefore, a weak and mild kind of moderation.

[Question] While our ability to compete has improved, the same is not the case with government finances.

[Answer] Indeed, that is the big problem that still exists. So far, practically nothing has been done about them. Perhaps I'm exaggerating... at any rate little has been done. At best the deficit level, which had not stopped rising until 1981, was stabilized in 1982 and 1983 at the 1981 level. Therefore, the curve is not getting any worse. But the situation has nonetheless not improved: It has been stabilized. This will certainly be the big problem this year of 1984 and no doubt also, unfortunately, in 1985-1986. It will be a question of reducing the government expenditure deficit that weighs so heavily on the economy, that weighs in terms of taxes on the public, that weighs in the form of all sorts of burdens.

[Question] In your opinion, what are the characteristics of the world of Belgian employers? How would you define it?

[Answer] The world of Belgian employers is without a doubt the mirror image of Belgium. After all there are nearly 200,000 firms in Belgium, there are several tens of thousands of managers in our firms who constitute a sort of reflection of what Belgium is, that is, pragmatic realism marked more by an interest in short rather than long-term problems. Characteristics which I

believe are simultaneously qualities and shortcomings of the Belgians. Having been very deeply involved in this world of employers, I can say that there is something else that is characteristic of the Belgians: a great feeling for work and for trying to do it well.

[Question] What is the FEB's attitude toward the state and regionalization? What sort of relations are there between the FEB, the Flemish employers of the Flemish Economic Union (VEV), the Walloon Union of Enterprises (UWE) and the Union of Brussels Enterprises (UEB) employers?

[Answer] The FEB's attitude toward regionalization is that we respect the laws. A democratically elected Parliament has chosen a given path of regionalization that is specified by the August 1980 laws. The FEB complies with democratic decisions. In practice we follow the rules for regionalization as established. Furthermore, we try to see to it that this regionalization program is manifested in our establishment in an effective and real way, which we must admit has not yet been the case. Our relations with the employers of the regional organizations are on the whole, I would say, very good. Institutionally, we have even created — 3 years ago, just before the start of my presidency — a coordinating committee headed by the president of the FEB on which two representatives of the FEB and of each of the three regional organizations (UWE, UEB and VEV) occupy seats.

[Question] What do you think of the latest statements by VEV leaders who claim that the Flemish economy would be sounder if regionalization were stepped up? Don't they constitute a provocation?

[Answer] In this domain as in others the employer sector is very much united. This is a fact that was pleasantly confirmed for me during my term as president. There are three regional employer organizations, each of which has a role to play in its region. As for the FEB, it has to play its role in a Belgium an important part of which is still national. Our problem is to coordinate ourselves. It's in the nature of things for a regional employer organization to have a tendency to push regional affairs. Just as no doubt a national organization also has a tendency to promote national affairs. Thus there is nothing particularly surprising in all this in a federalized country.

[Question] In a speech delivered before the Royal Society for Belgian Economic Policy in January 1976 you noted that purchasing power had doubled between 1963 and 1973 and that this was a "successful result of the system." According to you, one of the priority objectives for the Belgian economy was to preserve and, if possible, increase purchasing power. Now these past few months it has dropped by 10 percent. So, are we moving in the opposite direction from what you were advocating?

[Answer] I must first correct a figure. You say that purchasing power has dropped by 10 percent. I would draw your attention to the fact that, according to European Community statistics published last December, purchasing power in Belgium rose by 5.6 percent between 1976 and 1983 and that Belgians' purchasing power rose by a total of 24.6 percent between 1976 and 1983.

It's true that moderation in wage hikes produced effects in 1982-1983. According to estimates made jointly at the Central Economic Council — that is, between the government, the labor unions and us — the estimate for 1984 is that purchasing power will no longer drop; it will remain at 0 percent [i.e., will not rise either].

[Question] One of your articles of faith is that we must develop exports, but by pursuing an all-out trade policy, that we must orient ourselves toward more carefully planned goods. Have Belgian firms followed your advice? With what results?

[Answer] I'm still deeply convinced that Belgian firms must orient themselves toward more carefully planned products and services. I'm not alone in defending this opinion. It's a widespread point of view that we ascertained the existence of at the FEB administrative council 2 years ago and which is also to be found in the paper entitled "Business Strategy for the 1980's," in which we recommend a strategy of adaptation and innovation. Have firms been moving in that direction? Yes, indisputably so. In fact, when you read the National Bank's painstaking analysis of products that are selling and their evolution in comparison with products that are not selling (among which the National Bank unfortunately does not include services), Belgium has certainly made progress. I won't conceal the fact from you that in my opinion there is still too little progress. Why? One might explain it as being due to a number of things that can be brought together under the general heading of "conservative Belgian actions." Among these I think there were the errors of previous governments which overly favored subsidies for "lame ducks" and which thus sank hundreds of billions into unprofitable sectors. Moreover, there is another power, in my opinion a conservative one: the labor organizations, which have in some cases greatly slowed down renewal of the industrial fabric. A final factor that was very important during a period in which Belgium was not very competitive — and from then on cash flows and funds themselves diminished considerably — and firms didn't have sufficient financial resources to make the efforts involved in innovation, investment and reconversion. Certainly now these funds have returned to firms, which permits them to take greater risks. We may, therefore, certainly say that 1984 will be — I hope and believe — a year of accelerated reconversion.

[Question] One of employers' mottoes is: You have to make profits today to assure investments tomorrow and promote employment the day after tomorrow. The government has promised to create cash flows. Where are the jobs?

[Answer] The employment situation was at its worst in 1981. Unemployment had risen by 4.3 percent in 1979. By 9.3 percent in 1980. By 22.7 percent in 1981. In 1982 the growth rate dropped to 15.6 percent for the first time, and in 1983 to 10.6 percent. So you see that the growth rate had risen dramatically until 1981 and that it began to noticeably drop. If we compare the figures for the end of December 1983 with those for the end of December 1982, we come up with a growth rate of only 4.9 percent. Of course, we'll have the arrival of the young people, of the students in February; then we'll experience a new jump in the figures. But if we take a tendency over a period of 12 months, it does not seem impossible that unemployment will no longer be increasing.

[Question] Before the UWE's regional organization in Charleroi in June 1981 you severely criticized the "radical" elements in the labor unions. Prior to that you had felt that the weakened government was confronted with two powers: that of the unions and that of the companies, and that we had to restore power to the latter, since the weight of the labor movement was in your opinion too great. Is that still your opinion? Have we reached a point where this balance of power has been reversed?

[Answer] There has certainly been no reversal. I in fact believe that in Belgium the power of the unions is such that there is an imbalance between labor's power, on the one hand — which I believe is still greater — and the power of the firms, on the other.

[Question] In the 1970's the employer line was moving in the direction of the redefining of a new social contract which, among other things, involved greater emphasis on dialogue within the company and respect for the existing laws. Today many violations in the application of these laws have been attested to, particularly as concerns the circulation of information and reports. Would you still recommend this redefining of the social contract? Why aren't the laws better respected?

[Answer] I must tell you one thing: I'd be shocked to learn that there is no respect for the laws in companies. And I'd be glad if anyone could cite specific cases to me in which the laws were not respected. I'd be the first to intervene in these companies to see to it that they do respect the laws!

As for the expression "social contract," it seems to me to be a bit simplistic. I've never used it because it did not seem to me to correspond to reality. On the other hand, dialogue at all levels in Belgium is certainly one of Belgium's great strengths. This dialogue does not function at all as badly as some people say it does. In 1983 we concluded 950 company collective agreements and 78 sectorial collective agreements. In addition, at the end of the year we concluded a national interoccupational agreement in the very important domain of new technologies and did so with the labor unions and without the government.

[Question] What, in your opinion, should a price policy be like?

[Answer] One designed to set consumer prices as low as possible while maintaining the activities of suppliers and providers of services. It's obvious that a good price policy — and that, moreover, is what is pursued almost everywhere except in Belgium — is a policy that involves freedom of prices in full competition for all competitive products. That is to say, all products which are actually involved in competition. But, on the other hand, service products, where no competition is involved — for example, the railroad monopoly — should be controlled by the democratic administration. We really believe that laws governing prices should be broadly modified in Belgium. At present we have a price control system even for competitive products. This means that in the final analysis specialized committees set prices. Contrary to what everyone believes, this has more the effect of keeping them high. It's competition that lowers prices. Now in a small, very open country like Belgium the competition for most goods and services is considerable.

[Question] In March 1981 the FEB defined: "A new economic and social policy for Belgium" that consisted of several proposals which strangely resembled the policy Martens and Gol have applied since taking office. Now, 2 years later, we note that recovery has not been achieved and that the economy has not been relaunched. Why? Was your program a bad one? Would you change it today?

[Answer] I in fact believe that the program presented by the FEB and its three regional organizations in March 1981 has been a very important program for the start of recovery in Belgium. Unfortunately, not everything that we proposed has been picked up by the Martens-Gol government. Otherwise, things would have gone, let's say, much better. For 2 years now the economic situation in Europe has been very bad and hasn't helped us. In 1984 it will sweep you along with it.

[Question] Which of your proposals were not retained by the government?

[Answer] Oh, for example, the one on government finances.

[Question] In March 1982 you launched an appeal to companies "to get out of their trenches," shift away from the defensive. A few months ago Vice Prime Minister Gol repr imanded firms for not playing the game, despite the gifts accorded by the government's policy. Have Belgian firms gotten any farther out of their trenches today? What have they done with the gifts granted by the government?

[Answer] First of all, the government has not made firms any gifts. The government has tried to restore a situation that was dramatically compromised since firms could no longer develop themselves. So Martens and Gol have simply tried to correct the serious errors of the past.

What was striking indeed -- and I confess that it was a surprise even for me -- was the fact that this appeal to get out of the trenches was followed in 1982 by an increase in investments of 2 percent in real terms and an increase of nearly 6 percent during the second half of 1982 alone. There was thus a considerable development of investments in 1982. It's also true that in 1983 this movement was not followed up. But all the indices seem to be extremely positive for 1984.

There is a recent National Bank report that speaks of an increase in investments for 1984 on the order of 10 percent in real terms. Therefore, taking into account a situation that had once again become competitive, it's true that firms again began to invest in 1982. More, furthermore, than in the other European countries. And in addition to that they reacted extremely well in the export-import field.

[Question] During the public services strike, when the government vacillated, we got the impression that the employers were dropping Martens. Was this apparent?

[Answer] That's completely untrue. I lived through those very difficult 6 weeks in a very intense state and there were never any criticisms emanating from our side. Actually, we were in a — if I may say — "passive" situation. It was a problem between the government and its public services personnel. So we had no business intervening in that negotiation. What was of serious concern to us was the fact that these strikes were affecting the Belgian economy and the companies. And they affected them in a dramatic way.

Since then we've done everything we can to keep them from extending to the private sector.

[Question] Who constitute the Bilderberg group, of which you are a member?

[Answer] This group was created at the beginning of the cold war, that is, at the start of the 1950's, by a group of politicians and business leaders, officials, university professors and journalists. These are people from Europe and North America, that is, the United States and Canada.

This group works well and the group meets very regularly for 3 days every year, meetings that are held in different countries in the world each time. They deal chiefly with military security problems, international policy problems and economic and social problems that concern the Atlantic world.

This permits political, economic, social and cultural leaders from this part of the world to exchange views, obtain better information and try to see to it that the Atlantic world is effectively developed.

[Question] You'll soon have a successor. There has been talk of Mr Leysen. Is there a community alternation in the FEB?

[Answer] I'll end my duties as president next 26 April since the term of office is 3 years, nonrenewable. The new president will be appointed at the administrative council meeting on 26 January. It's the custom for the outgoing president to present to the council the name of a person who has the necessary qualities for being a president of the FEB. In terms of "Belgian equilibrium," it's a tradition at the FEB to alternate between a French and a Flemish-speaking president. So my successor will be Flemish-speaking.

[Question] In your opinion, how do the differences between Christian and Liberal employers fit into the political world?

[Answer] In the years I have been president, whether of the Chemical Industries or the FEB, I've never noticed that there was any difference between a Christian or Liberal leader. I must say one thing to you: I have an enormous number of colleagues of whom I don't know whether they are Christians or Liberals.

There is a widespread consensus in the business world that the difference is between the North and the South or between different sectors. There are at times different feelings or interests. But afterwards there is a general discussion to arrive at common viewpoints. Very fundamentally speaking, I must say that the consensus is extremely great.

Reply of Budget Minister

Brussels LE PEUPLE in French 20 Jan 84 pp 1,2

[Interview with Budget Minister Philippe Maystadt by C.L.; date and place not given]

[Text] The least that we can write is that the remarks made in our columns (see our edition of yesterday) by the president of the FEB, Daniel Janssen, have not left Budget Minister Philippe Maystadt indifferent. The point on which they fundamentally differ: government finances. Mr Janssen in fact feels that government efforts in this area are insufficient. Mr Maystadt replies that the government has done a great deal for business and that it cannot be everywhere at the same time. This is not merely an exchange of views on what are at times technically difficult subjects, but rather, it would appear, of philosophical and conceptual differences. We met with Minister Maystadt.

[Question] Mr Janssen claims that the government has not adopted all of the FEB proposals, which would explain why, even though it has improved, the situation at times still leaves something to be desired. Do you share this opinion?

[Answer] Aside from the proposals having to do with social security, what are the concrete proposals for budget cuts formulated by the FEB?

I've never heard any but one: According to the FEB, it would suffice to replace all sorts of subsidies and expenditures for business with tax incentives. We could in this way cut the national budget by 150 billion. This figure has been cited on several occasions by FEB leaders.

[Question] Can this be done?

[Answer] The general statement of the 1984 budget consolidates all government expenditures for the economy. The total comes to 227 billion. If we subtract the operating costs of the departments, we arrive at a total of 205 billion for such expenditures. So it's on this figure that the FEB claims we can economize 150 billion.

But what do these 205 billion in economic expenditures cover? First of all, there's 46 billion in interest charges for roads and waterways. Since what is involved here are charges for work already completed, it's impossible to economize on them. And, furthermore, the Construction Employers Federation insists that the government should not cut appropriations earmarked for construction.

[Question] There are still 159 billion.

[Answer] Indeed, there are still 159 billion. But they include 5.5 billion for the promotion of exports and nearly 12 billion for aid to businesses for research. Now employers regularly ask the government to increase its export subsidies, specifically by increasing credits for government-to-government

Take a look at the situation the Bruges Company of Nivelles is in: If we could help this company to obtain more export markets through government-to-government credits, that would enable it to reduce the number of layoffs. As for aid for research, everyone admits that our country devotes relatively less funds to that than its chief competitors. In any event, as minister of science policy, I feel that we cannot further reduce credits that are already too limited.

[Question] You also have to reckon with certain public services, don't you?

[Answer] There are still 141.5 billion. The biggest chunk of this is accounted for by the 16.5 billion for the Postal Administration and especially the 60 billion for the jointly operated transportation companies. Now these public companies have already been subjected to a relatively draconian reorganization plan. Does Mr Janssen feel that it would make sense to move faster and more vigorously in reorganizing the Post Office and the National Railroads? Is he unaware of the efforts that the personnel of these organizations, their suppliers and their customers have already been asked to make? Moreover, I'm not sure that companies like the ACEC [Charleroi Electrical Engineering Shops] or the RN [expansion unknown] would like us to further reduce government subsidies to these agencies. It's easy to come up with slogans, but we have to look at the human realities they conceal.

If we admit that it's no longer possible to make many cuts in these sectors — unless we want to dismantle the public services! — we are left with about 65 billion in economic expenditures.

[Question] What has the government earmarked these 65 billion for?

[Answer] These 65 billion are essentially earmarked for two items: on the one hand, the funding of customary early retirement pensions (over 26 billion at the expense of the government!) and, on the other, expenditures in the national sectors. As far as customary early retirement pensions are concerned, we've proposed that the amount of the pensions be maintained, but that the government's contribution be limited. This has led to our being bombarded by representatives of the different sectors or companies who demand that the government's contribution be maintained at its current level. This is in fact a system that suits employers just fine.

When I make the rounds of these economic expenditures, I ask myself just where the FEB claims to find those 150 billion.

[Question] What is the government doing to reduce the government expenditure deficit?

[Answer] In Parliament I've stressed the fact that for the first time in a long time government expenditures dropped in real terms in 1983. In comparison with what we were familiar with up to 1981, this is a real reversal. Could it have been a bigger one? Could the government deficit in terms of percentage of the GNP have been not only stabilized, but reduced? I don't think so, first and foremost because the government deliberately chose to assign priority to

the financial reorganization of firms as that relates to the financial reorganization of the government. Do you know that the tax deficit resulting from the measures adopted for the benefit of businesses is estimated at some 45 billion for 1983? If we had kept these 45 billion for the national budget, the improvement in our government finance situation would, of course, have been more marked than it is. I still believe that the government's choice was the right one and that we had to first restore the equilibrium of the balance of payments. But those who have benefited from this are in no position to criticize us for the consequences of this choice.

[Question] How will this policy actually be implemented?

[Answer] It will be manifested in the distribution of national revenues. Before the crisis, in 1973, they were distributed among households (74.3 percent), business firms (9.4 percent) and the government (15.8 percent). During the crisis this distribution radically changed. In 1981 the share that went to households rose to 81.3 percent, while those of businesses and the government dropped to 6.5 and 11 percent respectively. In compensation for this, businesses and the government obviously became considerably indebted. Thanks to the measures adopted by the government and thanks to moderation in wage hikes, but also thanks to tax measures, firms' financial situation clearly improved and their share of 1983 revenues rose. According to the National Bank, the distribution in 1983 changed to 79.3 percent for households, 9.1 percent for firms and only 10.5 percent for the government. I repeat: I'm convinced that these measures to benefit business were necessary, that they were the unavoidable way of restoring the balance of payments and in time permitting a resumption of investments. But it's clear that the effort demanded of households has essentially benefited businesses and those who speak in their name are wrong in criticizing it.

[Question] So the accusations leveled against the government are, according to you, unjustified?

[Answer] It's too easy to pass the buck to the government. Like it or not, the public has made a real effort. Where is the conservatism Mr Janssen accuses political as well as union leaders of? Doesn't true conservatism consist rather of not assuming one's responsibilities and of "remaining in the wings"? The concern for obtaining a proper return on one's capital doesn't exempt one from taking certain risks, particularly as regards those for whom a return is obtained in terms of the literal meaning of the expression "risk capital."

[Question] In order to encourage firms to invest, shouldn't the government's policy be a carrot-and-stick policy?

[Answer] Certainly, and that's just the way we look at it. There's been an important change in attitude in the government on this point in comparison with 1981 in view of the results obtained. As far as the government is concerned, there's no question of extending the all-out measures.

We've introduced restrictions such as, for example, within the framework of tax measures to promote risk capital (editor's note: the Cooreman Act).

The measures are more selective, they're aimed directly at those industrial firms that invest in sectors affected by the crisis. These provisions are to be found in the Eyskens-De Clercq note.

[Question] So, according to you, the ability to compete is not only a matter of costs?

[Answer] That's right. Employers claim that it's a matter of costs. I think that the problem goes beyond that parameter. It's necessary, but not enough, to lower costs. Firms must in turn exhibit more aggressiveness through the expedient of investing in research, for example, and entering markets that are not usual for them.

[Question] In your opinion, will 1984 be the year of accelerated reconversion, as Mr Janssen claims it will be?

[Answer] I think that several conditions have combined to make it possible for 1984 to be a year of reconversion. Firms' financial soundness in comparison with 1981 has considerably improved and there are signs of improvement on the international market. It's up to businesses to become active!

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MAJOR 1984 PUBLIC WORKS PROJECTS

Athens I KATHIMERINI in Greek 27 Jan 84 p 2

[Text] Seventy-six new projects for a total budget expenditure of 110 billion drachmas will begin in 1984 under the jurisdiction of the Ministry of Public Works.

Fifty of these projects involve road construction for 40 billion drachmas and the remaining will be irrigation, drainage, land improvement, etc. for an expenditure of 70 billion drachmas.

Included in the projects are multilevel cloverleaves in the crossings Kifisias-Katekhaki; Kymis-Vyzandiou; Khamosternas-Salonica; Thivon-P. Ralli at the 3rd Cemetery; the widening of Kifisia Avenue; the building of a bridge at Kharokopou, opening of Khamosterna, opening of the peripheral Ymittos Avenue, beginning construction of the Stavros-Elevsina Avenue, etc.

The above mentioned projects were announced by minister of Public Works, Mr. A. Tsokhatzopoulos, who explained that the Attiki Basin projects are part of the 5-year plan and their complete construction will require 1.1 trillion drachmas.

The construction of the peripheral program involves the Artemision tunnel, the Athens-Skhimatirion turnpike, a section of the Salonica-Alexandroupolis highway, the first section of the bypass of Kavala, the addition of a total of 50 kilometers to the Athens-Salonica highway, the Metsovon tunnel at Katara, etc.

Maintenance projects for a total length of 800 kilometers are planned for 1984, while by 1987 work on road maintenance of 4,000 kilometers will have been done.

At the same time studies are in progress for 150 large projects of national import, while during the first 6-month period of 1984, an additional 50 studies for a total budget expenditure of 3 billion drachmas will be allocated.

Also in 1984, 1.1 billion drachmas will be allocated for harbor projects; 1.5 billion drachmas for airport projects, etc.

MEDIUM-TERM OUTLOOK FOR ECONOMIC RECOVERY

Milan MONDO ECONOMICO in Italian 14 Dec 83 pp 37-40

[Text] What is the Italian economic outlook for the period from next year to 1986? What is its state of readiness to meet the international recovery? Given here is the answer contained in the CONFINDUSTRIA [General Confederation of Italian Industry] Research Center's fifth economic forecast report, a detailed summary of which follows.

After a 3-year period of stagnation and recession, marked by a near-zero growth rate of the GDP [gross domestic product] in 1981-1982 and a negative one in 1983, the year 1984 should mark the beginning of a recovery whose consolidation, however, should not be expected to yield significant results until 1985 and 1986. During the latter two years, GDP growth rates may be expected to exceed 2 percent per annum by a sufficient margin to enable a start toward reabsorption of the unemployment the Italian economy has produced over the past few years.

The inflation rate should slow during the coming year, continuing, however, to reach high levels, and posting lower though still positive differentials versus the principal industrialized countries: A differential of 7.8 percent with the FRG, after that of 12.7 percent in 1983; of 6 percent with the United States, after the one of 12.0 percent in 1983; and of 3.3 percent with France, after one of 7.0 percent in 1983. Over the longer term, the process of reduction of the domestic inflation rate should continue to benefit from a not too hostile situation with regard to both exchange rates and prices of raw materials.

Foreign trade balances should also show improvements. The negative balance-of-payments gap should increase again slightly over the 1984-1985 two-year period (-934 billion lire in 1984, -2,443 billion in 1985), returning to a critical level in 1986 (-8,332 billion) while the domestic recovery is consolidating, accompanied also by a growing volume of domestic investments, and while the international economy is undergoing a situational slowing (one of the basic assumptions in our forecast).

Turning to the principal domestic components of aggregate demand, consumption should register a cyclical recovery in 1984, improving its contribution to the GDP growth rate during 1985-1986. One of the major assumptions in this forecast consists of a projected recovery of investment that is to start in 1984 but not to consolidate until 1985-1986 under the impetus of a rebound in real gross profits from the deeply depressed levels of the early 1980's. Our forecast assumes that private investments will increase by 3.7 percent in 1984, substantially in line with the investment intentions stated during the survey conducted by the CONFINDUSTRIA Research Center on gross fixed capital formation. This revival should consolidate during the 1985-1986 biennium at annual growth rates of 6.7 percent and 6.0 percent respectively.

During 1984, the employment situation will continue to hang heavily over the economy, with a further rise of one-half a percentage point in the unemployment rate and a continued rising trend in the number of unemployed. The year 1985 should see the start of an inversion of the jobless growth trend that has endured since of the 1980's, and the phenomenon should continue into 1986. It is to be noted, however, that, despite this reversed trend, the jobless will still number close to 2 million in 1986, and that the industrial sector will have to continue cutting back on labor costs: In our forecast, employment in industry in 1986 should be 131,000 units below the level of 1982.

The dynamic of earned income from employment is determined, in our forecast, by the costing out of the automatic wage increases written into the recent labor contract renewals, by the operative effects of automatic wage-indexation under the terms of the new system agreed in the protocol of 22 January, and by the employment dynamic. As a result of the interaction of these three components, on the one hand, and of the resurgence that is to begin in 1984, but that will consolidate later, the growth rate of the cost of labor per unit product in industry will drop considerably, that is, to 10.7 for that year, or half the 1983 rate, and then continue gradually downward throughout 1985-1986 as well.

This finding is one of considerable concernment, but it has been confirmed by other analyses as well. Despite the substantial projected improvement in this variable in our country, it must be remembered that the projected growth rate of the cost of labor per unit product over the economy as a whole in 1984 in Germany is 3.1 percent, in the United States 4.3 percent, and in France 7.8 percent: The dynamic of Italian costs is therefore still heavily unbalanced as compared with that of our major competitors.

Money policy will continue to exercise watchful control throughout the spectrum of our forecast, as regards both money supply and interest rates. Table I shows the ratios of net indebtedness of the government itself and of the public sector as percentages of the nominal GLP. These ratios confirm that the overall weight of the public debt factor will not be reduced; on the contrary, it will tend to increase marginally. To finance these deficits, interest rates will have to be maintained at positive real levels from the standpoint of both savers and businesses.

Conditions

The favorable overall scenario outlined above is essentially dependent on the existence of five propitious conditions, any or all of which could materialize only partially:

- 1) A substantial stabilization of the lira/dollar exchange rate, and a devaluation with respect to the deutsche mark [DM] that will recoup at least the inflationary differential between the two countries;
- 2) A substantially flat public-deficit trend line, devoid of excessively violent upswings or downswings, pointing to a constancy of weighting of the GDP by the public sector's net indebtedness, over a reasonable period of time;
- 3) A dynamic of government-administered rates and prices that is considerably more contained than it was in 1983 and in any case does not exceed 12-13 percent on a weighted basis;
- 4) Substantial adherence to the quantitative guidelines on earned income that were set up in the Scotti cost-of-labor protocol, while endeavoring, at the same time, to moderate automatic mechanisms in favor of discretionary ones, so as to reduce the risk of inflationary effects stemming from an externally-generated shock wave (in the realm of currency exchange rates, prices of raw materials, indirect taxes or government-administered rates and prices);
- 5) A worldwide economic growth rate averaging not less than 3 percent over the period 1984-1985.

Among these conditions, the ones that weigh most heavily in our forecast are those relating to exchange rates and government-administered rates. These will be the basis of alternate scenarios outlined under that heading in the fourth section of this report. The condition regarding government-administered rates will be the hardest to realize and, if violated, could have a very negative impact on projected growth. With the present mechanism of wage indexation, an increase (or a continuation of the high level of 1983) in the spread between the rate of rise of wholesale prices and that of consumer prices will produce inflation and perpetuate it with time, contributing on the one hand to a reduction in the general level of economic activity, and on the other hand to a constriction of profit margins.

The international conditions underlying this forecast are quite propitious. The American economy should consolidate in 1984 the recovery it has undergone in 1983, and this should exert a tractive effect on the European economies, which, by comparison, have in the recent past been registering far more contained growth rates.

International inflation should continue to diminish throughout the period covered by this forecast; on an aggregate basis, the OECD [Organization for

Economic Cooperation and Development] price deflator for the 3-year period 1984-1986 should post an average annual growth of around 6 percent, with minimums in countries within the German sphere of influence (Holland and Austria) and maximums in Italy (if one excludes the high-inflation countries of the OECD). Contributing determinatively to this slowing of the international inflation rate will be the rise in prices of raw materials and crude oil, which in the assumptions underlying this forecast have been projected rather conservatively, with dollar price increases for raw materials put at 9.2 percent in 1984, 7.4 percent in 1985 and 4.4 percent in 1986, and dollar price increases for crude estimated at 0.8 percent in 1984, 6.3 percent in 1985 and 4.5 percent in 1986.

The Risks: Alternate Scenarios

The basic forecast set forth in this report rests on a set of conditions which, while probable, are nevertheless among the most favorable imaginable. Particularly favorable is the assumption on exchange rates. A weakening of the dollar has been being forecast for over a year now, with mere short-lived impacts to date. To continue expecting a weakening is reasonable from the standpoint of the "fundamentals" that influence the trend of exchange rates, but nevertheless risky on the basis of what has actually occurred to date.

The forecasts formulated in this report with respect to the public sector are substantially extrapolations of trend lines. They contain no corrective expedients, since at this time it is difficult to evaluate their nature or proper timing. The portion of the public-sector deficit contributed by the public administration deficit in the aggregate and as a ratio of the GDP remains more or less constant, as does that of the state-controlled sector. Based on this deficit, our forecast assumes positive real interest rates on savings, stabilized around 2 percent for short-term financial operations. Too brusque attempts to reduce this deficit by operating on the revenue side could have a recessionary effect that presumably would not be counteracted by the expansionary effect resulting from lower interest rates, particularly if indirect taxes were to be used as the means.

As pointed out in the preceding section, the basic forecast used in this report assumes a rise in government-administered rates and prices not entirely out of line with the projected average inflation rate for the economy as a whole. This condition could be only partially realized, and this would generate a self-propelled inflationary thrust of domestic origin. If the self-propelled inflationary thrust generated by these domestic forces, as well as one generated by an enhanced dollar force, were to find their way into the wage-indexation mechanisms currently operative in Italy, the inflation rate assumed for the basic forecast would be far exceeded quantitatively as well as from the standpoint of its duration. Hence the fourth of the assumed conditions: The quantitative development of wages and compensation assumed in this report, which are generated in part by the automatic wage provisions agreed in the Scotti protocol and ratified by the 1983 contract renewals, and in part by the operation of the current automatic wage-indexation mechanism, must be compatible with the inflation rate

generated by the model based on the assumed conditions, which can even be considered "favorable". Should any of these conditions fail to materialize, or in any case should a self-propelled inflationary thrust materialize, the current automatic wage-indexation system would again become a generator of inflation.

To evaluate the total impact of the effects stemming from major deviations with respect to our assumptions, two alternative scenarios have been prepared: The first assumes a continuation into 1984 and 1985 of the revaluation of the dollar with respect to the principal currencies, and to the DM in particular; the second simulates the effects of a wider divergence in the dynamics of wholesale and consumer prices than the one used in the basic scenario, such as would be induced substantially by large increases in government-administered rates and prices.

In the first scenario, the revaluation of the dollar continues into 1984 and 1985 at more or less the same rates of rise as were observed in 1983. Given the relationships inherent in the European monetary system, the lira devaluates with respect to the DM at about the same rates as those used in the basic scenario (7 percent in 1984, 6 percent in 1985) and therefore at much greater rates with respect to the dollar (10.7 percent in 1984 and 10 percent in 1985). These exchange rate differentials (which we will analyze further in the fourth section) produce a substantial reduction in the rate of growth of our economy and a substantial rise in our domestic inflation. Our balance of payments improves as a result of the deeper domestic recession--with respect to the basic scenario--but our unemployment rate remains well over 10 percent (whereas in the basic scenario it projects to less than 9 percent in 1986).

The second of these scenarios assumes wider divergences between the rate of rise of wholesale prices and that of consumer prices than the one resulting from the basic simulation. In the first of these cases (the one assuming higher prices) the divergences are 2.16 percentage points in 1984, 3.16 percentage points in 1985, and 3.48 percentage points in 1986; in the second case (the basic) they are 0.19 in 1983, 1.26 in 1984, and 1.158 in 1985 [as published]. This scenario also exhibits higher inflation (obviously), slower growth of the GDP and higher unemployment.

Conclusions

The basic scenario underlying this economic forecast report can be deemed optimistic only if considered superficially. The two alternative simulations actually qualify its content and establish its limits. Despite the projected cyclical recovery in 1984 and its consolidation in 1985-1986, the high level of unemployment in the Italian economy at present will begin to be reabsorbed only in 1985 and will nonetheless remain at the 2-million level in 1986. Notwithstanding the rebound of investments, their impact on the GDP will still be, in 1986, at levels close to those registered in 1980, and their contribu-

tion to the sustaining of employment will be rather modest. And lastly, in the basic simulation, although the economic recovery consolidates in 1986, the foreign accounts chasm reopens, despite the the 2 million unemployed.

The assumed alternate scenarios show rather clearly that if any disturbing factor should perturb the set of conditions underlying the basic scenario, the resulting picture of the economy would probably be a more depressed one, with an even higher level of unemployment.

[Boxed insert follows]:

The Outlook for Demand

The recovery of the Italian economy, which began this past summer, should undergo a shakedown period until about the middle of 1984, then begin to consolidate. In line with this trend, the GDP should rise at the rate of 1.9 percent in 1984, 2.7 percent in 1985 and 2.6 percent in 1986 (see Table II). The projected slight drop in the latter year is owing principally to the international situation and to the relative slowing of exports of good and services. Consumption should post a relative rebound in 1984 in terms of growth rate. Thereafter the contribution of this factor to the growth rate of the GDP will not increase until 1986.

Among the components of end-user demand, the most dynamic one is unquestionably gross private fixed capital formation, which should begin its recovery in 1984, taking on more sustained growth rates thereafter, depending on rises in real gross profits for industry in the strict sense (see Table III) and on a slight drop in interest rates. The public-sector components of end-user demand (public-sector investments and state-controlled purchases) are not likely to provide a positive contribution to growth. This finding is owing essentially to the dynamic of the respective deflators, which could turn out to have been somewhat overestimated. In this forecast, the assumptions with respect to public-sector investments and government-controlled purchases have been formulated in nominal terms.

Foreign trade, through exports and imports of goods and services, should make a slightly positive contribution to GDP growth in 1984, but a negative one thereafter owing to the moderate foreseeable rise in imports in 1984-1985 that is likely to accompany the consolidation of the domestic recovery. The items that will contribute principally to the rise in nominal available income in 1984 will be direct taxes (whose rise will slow following the various special levies in 1984) and the net financial charges for family allowances (among which the greater flow of income from CCT's [expansion unknwnn] should compensate the reduced income from BOT's [short-term Treasury bills]). The trends of the components of available income over the medium term should exhibit no wide upswings or downswings.

[Tables follow]:

Table I
Principal Economic Indicators

		1) Variabili reali				
		1982	1983	1984	1985	1986
2	Domanda finale (miliardi di lire)					
3	Prodotto interno lordo, prezzi cost.	85.378,00	84.483,31	88.034,81	88.393,82	90.879,82
4	Variazione %	-0,35	-0,08	1,87	2,74	2,89
5	Consumi delle famiglie, prezzi cost.	54.841,00	54.487,80	55.489,70	56.885,10	58.410,80
6	Variazione %	0,34	-0,68	1,73	3,25	3,40
7	Investimenti totali, prezzi cost.	14.332,00	13.451,48	13.883,48	14.480,98	18.487,51
8	Variazione %	-8,27	-8,14	3,07	5,89	6,36
9	Mercato del lavoro					
10	Tasso di disoccupazione %	9,08	9,92	10,21	9,88	9,92
11	Monte salari, miliardi di lire	281.876,00	302.477,00	344.718,88	390.434,08	440.852,80
12	Variazione %	18,84	15,48	13,58	13,29	12,91
13	Bilancio dei pagamenti e tassi di cambio					
14	Saldo merci, miliardi	-10.780,00	-8.731,87	-8.443,74	-7.586,36	-45.072,20
15	Saldo corrente, miliardi	-7.409,00	-1.829,87	-834,74	-2.443,36	-8.332,16
16	Tasso di cambio, lire/dollaro	1.347,71	1.500,67	1.547,38	1.547,82	1.583,94
17	Variazione %	18,41	11,35	3,11	0,04	1,03
18	Tasso di cambio, lire/marco	658,08	587,52	639,77	677,88	689,90
19	Variazione %	18,90	7,48	7,07	6,93	3,28
20	Tasso di cambio, marco/dollaro	2,42	2,51	2,42	2,28	2,23
21	Variazione %	7,67	8,82	-3,78	-5,56	-2,17
22	Settore pubblico					
23	Indebitamento netto P.A. su pil nom. %	-11,93	-11,92	-12,27	-11,79	-11,93
24	Indebitamento netto sett. stat. su pil nom. %	-15,11	-18,72	-18,72	-18,36	-18,26
		19) Prezzi e costi				
		1982	1983	1984	1985	1986
25	Prezzi					
26	Prodotto interno lordo (defl.)	8,50	8,38	7,10	7,98	8,64
27	Variazione %	17,48	15,58	11,67	11,20	9,45
28	Prezzi ingrosso	5,84	6,09	6,78	7,37	7,96
29	Variazione %	13,84	9,93	11,85	9,81	7,93
30	Deflatore consumi famiglie	5,94	6,29	7,80	7,72	8,45
31	Variazione %	18,89	15,68	11,24	10,27	9,51
32	Costi					
33	Clup totale industria (var. %)	18,70	19,14	10,71	9,28	8,93
34	Prezzi import. combustibili (dollari)	15,90	13,64	14,07	14,96	15,62
35	Variazione %	-2,10	-13,24	0,86	6,28	4,62
36	Prezzi import. primari (dollari)	2,57	2,49	2,72	2,92	3,05
37	Variazione %	-10,85	-2,91	8,17	7,38	4,42
38	Prezzi import. prod. manufatti (lire)	8,74	6,34	6,93	7,54	8,17
39	Variazione %	13,45	10,47	9,28	8,77	8,39
		29) Variabili monetarie				
		1982	1983	1984	1985	1986
40	Tassi d'interesse					
41	Tasso sulle attiv. finanz. a breve (*)	15,83	14,48	13,80	13,47	12,87
42	Bot a tre mesi	19,38	17,12	15,30	14,38	13,45
43	Depositi bancari in c/c	18,86	14,24	13,53	12,89	12,41
44	Depositi bancari a risparmio	18,55	16,34	14,57	13,88	13,37
45	Titoli a lunga. Tesoro	28,27	18,84	17,53	16,72	15,86
46	Cct	19,38	17,25	16,72	16,80	15,17
47	Impieghi bancari	21,88	28,64	19,48	18,54	18,91
48	Tasso reale sugli impieghi bancari (**)	7,03	8,74	7,59	8,74	8,32
49	Mutui degli Ics (tasso medio)	15,49	16,78	14,81	15,49	14,33
50	(*) Depositi bancari, depositi postali, bot					
51	(**) Deflazionato con l'indice dei prezzi ingrosso					
52	Fonte: Centro studi Confindustria, Rapporti di previsione, novembre 1983					

Key:

[See facing page]

Key to Table I:

1. Real Variables.
2. End-User Demand (billions of lire).
3. Gross domestic product, constant prices.
4. Percent variation.
5. Family purchases, constant prices.
6. Total investments, constant Prices.
7. Labor Market.
8. Unemployment rate, percent.
9. Total wages, billions of lire.
10. Balance of Payments and Exchange Rates.
11. Trade balance, billions of lire.
12. Current account balance, billions of lire.
13. Exchange rate, lire/\$.
14. Exchange rate, lire/DM.
15. Exchange rate, DM/\$.
16. Public Sector.
17. Ratio of net public administration indebtedness to nominal GDP, percent.
18. Ratio of net state-controlled sector indebtedness to nominal GDP, percent.
19. Prices and Costs.
20. Prices.
21. GDP (deflated).
22. Wholesale prices.
23. Family purchases deflator.
24. Costs.
25. Cost of labor per unit product, overall for industry (dollars)
26. Fuel import prices (dollars).
27. Raw materials import prices (dollars).
28. Manufactured products import prices (dollars).
29. Monetary Variables.
30. Interest Rates.
31. Rate on short-term financial activities^(*).
32. 3-months Treasury bills
33. Bank deposits in current accounts.
34. Bank deposits in savings accounts.
35. Long-term bonds, Treasury.
36. CCT [expansion unknown].
37. Banking investments.
38. Real interest rate on banking investments^(**).
39. Medium-term ICS [expansion unknown] loans (average rate).
40. Bank deposits, postal account deposits, short-term Treasury bills.
41. Deflated by wholesale price index.
42. Source: "Forecast Report" of November 1983, CONFINDUSTRIA Research Center.

Table II
End-User Demand
(Billions of 1970 Lire)

	1982	1983	1984	1985	1986
1) Prodotto interno lordo	88.378,80	84.453,31	86.004,81	88.398,82	90.879,82
2) Variazione %	-0,35	-1,08	1,87	2,74	2,58
3) Consumi delle famiglie	54.841,98	54.487,80	55.409,70	56.855,10	58.411,88
2) Variazione %	0,34	-0,88	1,73	2,25	3,10
4) Investimenti privati	12.923,00	12.028,48	12.477,30	13.322,28	14.124,90
2) Variazione %	-8,84	-8,92	3,73	6,77	8,83
5) Investimenti pubblici	1.409,00	1.423,08	1.388,88	1.388,78	1.342,01
2) Variazione %	0,21	1,80	-2,58	-0,01	-4,38
6) Consumi collettivi	12.787,00	13.140,18	13.234,50	13.263,18	13.582,34
2) Variazione %	1,77	3,41	0,72	0,22	0,78
7) Variazione delle scorte	487,80	296,77	348,87	922,20	961,29
8) Esportazioni di beni e servizi	20.829,08	21.082,70	21.570,30	22.313,80	22.883,28
2) Variazione %	1,21	1,12	2,41	3,45	2,48
9) Importazioni di beni e servizi	18.017,80	17.985,68	18.352,80	19.442,38	20.398,60
2) Variazione %	2,14	-0,25	2,21	5,88	4,91

10) Fonte: Centro studi Confindustria, cit.

Key:

- | | |
|-------------------------------|---|
| 1. GDP. | 6. State-controlled purchases. |
| 2. Percent variation. | 7. Inventory variations. |
| 3. Family purchases. | 8. Exports of goods and services. |
| 4. Private investments. | 9. Imports of goods and services. |
| 5. Public-sector investments. | 10. Source: CONFINDUSTRIA Research Center, cit. |

Table III
Industry in the Strict Sense

	1982	1983	1984	1985	1986
1) Valore aggiunto p.m. reale	30.532,08	29.254,60	29.802,50	30.819,20	31.411,48
2) Variazione %	-1,45	-4,16	1,87	2,74	2,59
3) Valore aggiunto p.m. nominale	154.240,08	172.316,80	197.803,00	225.899,08	256.834,00
2) Variazione %	18,65	11,72	14,67	14,32	13,89
4) Deflatore valore aggiunto, var. %	17,35	16,60	12,57	11,27	10,63
5) Montè salari, miliardi	87.772,80	99.588,19	111.738,08	124.640,90	138.342,80
2) Variazione %	14,48	13,48	12,28	11,55	10,99
6) Retribuzioni lorde per dipendente	13.483,10	15.270,08	17.118,48	18.980,40	21.834,80
2) Variazione %	18,78	13,42	12,09	10,89	18,82
7) Costo lavoro per unità di prod. var. %	18,17	16,42	10,14	8,57	8,19
8) Occupati totali, migliaia	5.855,08	5.559,30	5.506,26	5.494,37	5.480,23
2) Variazione %	-1,86	-1,69	-0,92	-0,25	-0,26
9) Occupati dipendenti, migliaia	4.887,00	4.804,30	4.768,19	4.748,19	4.735,97
2) Variazione %	-2,16	-1,69	-0,92	-0,25	-0,26
10) Investimenti lordi reali	3.578,00	2.958,11	3.826,58	3.288,65	3.361,20
2) Variazione %	-17,26	-17,55	2,59	5,95	4,82
11) Profitti lordi nominali	38.737,20	39.277,48	47.892,50	58.337,80	70.219,50
2) Variazione %	18,48	6,91	21,81	21,81	20,37
12) Profitti lordi reali	5.850,08	5.572,66	6.031,38	6.565,63	7.102,64
2) Variazione %	2,09	-4,74	8,23	8,86	8,48
13) Tasso di interesse medio	19,70	19,16	18,20	17,43	16,02
14) Fonte: Centro studi Confindustria, cit.					

Key:

- | | |
|---|---|
| 1. Value added per billion - real. | 8. Total employed, thousands. |
| 2. Percent variation. | 9. Employed dependents, thousands. |
| 3. Value added per billion - nominal. | 10. Real gross investments. |
| 4. Value-added deflator, percent variation. | 11. Nominal gross profits. |
| 5. Total wages, billions of lire. | 12. Real gross profits. |
| 6. Gross remuneration per dependent. | 13. Average interest rate. |
| 7. Cost of labor per unit product, percent variation. | 14. Source: CONFINDUSTRIA Research Center, cit. |

9399

CSO: 3528/54

INDUSTRIAL POLICY IMPACT ON MADRID UNEMPLOYMENT

Madrid ABC in Spanish 2 Feb 84 pp 34-5

[Article by Fernando Delgado]

[Excerpt] We are experiencing a period of economic crisis and an uncertain future, with sectoral disagreements and ambiguous policies. In the background, concealed by an impressive accumulation of problems, unemployment lies in wait. A long-term solution to this serious situation is the much discussed reindustrialization program, from which Madrid is by no means excluded, especially as the reconversion of technologically antiquated sectors presupposes the loss of 13,653 jobs. The sectors involved in the process of reconversion in Madrid are 5 in number: home electrical appliances, textiles, electrical equipment for the automotive industry, electronic components and common steel. The firms affected, consequently, are Kelvinator, Westinghouse, General Electric, Talbot, Standard, Cointra, Ibelsa, Femsa, Robert Bosch, Pier and Hierros Madrid.

No one today questions the need for readapting our industry to make it competitive and modern. Nevertheless, these good intentions of moving toward the future entail enormous social and economic costs.

A solution to impede or counteract the loss of employment, which is envisaged in the decree of 30 November, is to promote the establishment of new industries that would hire the workers who lost their jobs because of reconversion. At the present time, Madrid is on the way to taking measures for its reindustrialization. The autonomous community has asked the government to declare a zone of urgent reindustrialization covering the southwestern areas of Villaverde, Getafe, Leganes, Alcorcon, Mostoles, Fuenlabrada, Parla, Pinto and Valdemoro, which are characterized by having been, since the '60s, the scene of one of the most rapid processes of industrial and demographic growth in all Spain and even in Europe. A mixed commission--Ministry of Industry and autonomous government--is now studying the feasibility of this request and, according to Agapito Ramos, advisor for work, industry and trade, will not approve it until at least 3 months have lapsed. They are still engaged in determining the economic activities to be promoted, infrastructure planning, human resources and financial needs.

Madrid Is Heterogeneous

"Madrid's industry is not concentrated in a specific sector, Madrid is heterogeneous." This is the conclusion reached by Agapito Ramos, the community's advisor for work, trade and industry. A few years ago, it could be said that the provincial economy was grounded on the construction industry. Now, Agapito Ramos declares that the decline of this industry resulted in a rude shock.

"The future demands a new industrialization with young companies adapted to technological advances. We are not deceiving ourselves, we know that the growth of the '60s cannot be repeated and that, for this reason, we have to promote the alternatives in other sectors--trade, services and fairs--as the motivating forces of economic creation and mobilization."

Another regional factor to be taken into account is the degree of specialization of the unemployed workers. This fact substantially favors the creation of new companies, because the workers' skill levels are among the highest in Spain. In this connection, another problem is to gain the confidence of potential entrepreneurs or investors, so as to get them to risk their money in the creation of new industries. Investment has to be started up again.

The autonomous government seems to have great confidence in the entrepreneurs. "Ten years ago," Agapito Ramos pointed out, "they were unfavorably viewed. Now, entrepreneurs are regarded as fundamental and are beginning to enjoy social prestige."

The autonomous government advisor admitted to ABC that, for the moment, the community is unlikely to see reindustrialization accomplished through efforts on the part of its government. "We have no money to deal with it." For the present, the autonomous government will have to content itself with promoting organizations such as the Institute for Regional Development, which will have to undertake to secure financing.

The Service Sector Is Growing

With 258,000 unemployed, of which more than 56,000 are from the industrial sector, Madrid is the autonomous area with the second largest number of jobs lost in the nation, being surpassed only by Catalonia, which has lost 378,000, including 134,000 in industry.

A characteristic phenomenon is being seen in Madrid, based essentially on the division of its economy into three parts. Services have come to represent 70.5 percent of all economic activity. While some experts consider this cause for concern, others think that the region's future may well lie in the growth in services. Nevertheless, Madrid's industry now represents 21.8 percent of the national GDP, as compared with 44.4 percent for the Basque Country and 35 percent for Catalonia.

In the process of reconversion, according to the White Paper, 13,653 jobs will be lost between 1981 and 1985, a figure surpassed only by that for the Basque Country--14,260--and higher than those for Catalonia--11,716--and Valencia--8,080.

Pedro Nunez Morgados, a deputy for the Popular Alliance (AP), thinks that the strong growth in the service sector in the province is a consequence of the shortcomings in industry. "There are irregularities in the industrial parks. Of the 75 in existence, more than half lack such indispensable elements as sewage disposal and water. Now, suitable industrial land is lacking, and, in addition, urban planning--this is the case for the general plan for Madrid--imposes a series of restrictions that could undermine the establishment of new industries."

The AP group also asked in the Madrid Assembly that the government of the community propose the urgent reindustrialization of the eastern zone, specifically the municipalities of Alcala de Henares, Alcobendas, San Fernando, Coslada and Torrejon de Ardoz. The Independent Business Confederation of Madrid (CEIM) recently subscribed to this request and, at the same time, agreed to support the request made to the central government for the reindustrialization of the southwestern zone, from Villaverde to Valdemoro.

The AP does not have much hope that the policy contemplated in the decree on reconversion and reindustrialization will have the desired results. According to Jose Lopez Lopez, an AP deputy, the confusion with regard to this subject within the government of the country itself--the launching of the various reconversion processes provoked a confrontation between the deputy prime minister, Alfonso Guerra, and the minister of industry and energy, Carlos Solchaga--does not generate confidence among businessmen. "And the situation will improve to the extent that the businessmen feel confident. Let us not deceive ourselves, the financial and labor costs are high, and, in addition, this year, the scarcity of credits for private investment is being raised."

12336

CSO: 3548/182

IMPROVED RESERVES, BALANCE OF PAYMENTS STATUS

Madrid ABC in Spanish 2 Feb 84 p 39

[Article by J.A.C.]

[Text] The external position of the Spanish economy improved markedly in 1983, according to what may be deduced from the latest data on the Bank of Spain's balance sheet, which were published yesterday. During the last year, gold and foreign exchange reserves declined by only 322 million dollars, and the balance of payments on current account declined by 2 billion less than in 1982.

Yesterday, the Bank of Spain published its most recent balance sheet data, which confirmed the improvement in the external position of the Spanish economy. The year closed with gold and foreign exchange reserves standing at 11.208 billion dollars, which signifies a loss of 322 million in the preceding 12 months. The year before, the loss had been more than 3.1 billion dollars.

On its side, the balance of payments on current account showed a deficit of 3.438 billion dollars, which, by comparison with the deficit of 5.410 billion registered in 1982, represents an improvement of about 2 billion dollars. According to bank sources, this is due to an improvement in the balance of trade. Exports in dollars for the year as a whole amounted to 19.256 billion, as compared with 19.216 billion in 1982. And imports went down from 29.726 billion dollars in '82 to 27.763 billion last year. Thus, foreign trade registered a deficit of about 8.5 billion dollars, 2 billion less than in '82.

Meanwhile, the balance of services has risen steadily, registering a positive balance of 2.895 billion dollars, as compared with a surplus of 3.512 billion in 1982. This balance includes income and payments for tourism, interest payments and other sales. The transfer balance was also positive, amounting to 1.174 billion dollars. Finally, capital receipts totaled 2.198 billion dollars.

All these data confirm what had been expected for Spain's external position, once the slump registered during the first half of the year had been overcome. It proved possible to counteract this with the good results obtained

from the summer on. Sales abroad returned to normal, while imports were more or less stabilized. Tourism also remained at a level in keeping with anticipated goals, in spite of the decline registered in 1983 of tourists entering the country. This was compensated for by a decline in the number of Spaniards going abroad, which resulted in a reduction of the loss of foreign exchange. Another factor that contributed to the stabilization of foreign exchange reserves was Spanish government borrowing in international markets.

Evolution of Foreign Exchange Reserves (1983)
(in billions of dollars)

January	11.419
February	11.087
March	10.097
April	9.953
May	10.015
June	9.691
July	10.033
August	10.596
September	10.741
October	11.030
November	11.012
December	11.208

12336

CSO: 3548/182

EFFORTS TO PUT COMMERCE WITH LIBYA ON SOLID FOOTING

Istanbul DUNYA in Turkish 6 Feb 84 pp 1,7

[Text] The projected visit to Libya of an official commission, one of whose members is Treasury and Foreign Commerce Adviser Professor Doctor Ekrem Pakdemirli, has again brought to the agenda the economic and trade problems with this nation that surfaced in the past 2 years. The impetus of the relations initiated at the time Turgut Ozal was assistant minister to the Premier under the Uluysu government, through a chain of intensive contacts which literally led to a "rush", did not last very long and Turkish contracting firms in particular which undertook important building projects in that country became the focus of a bundle of problems that soon acquired a chronic character.

Aims Are High But...

Despite "ambitious" agreements and arrangements, it is obvious that Turkey has been unable to maintain the lively relationship it had established at the beginning with Libya and that when looking deeper into the matter 2 important dimensions emerge. The visible dimension, which manifested itself in the form of obstructions in trade and economic relations, went even deeper as the 2 nations found themselves unable to reach a political "understanding" because of divergent approaches to various questions of foreign policy. The fact that in the last few years Turkey has been leaning in the direction of the West, with a special "emphasis on the U.S." and has also maintained relations of a "generally friendly nature with the Middle East and the other Islamic nations, led to developments which, from Libya's standpoint, are "hard to digest."

Libya's assessment of the stance Turkey adopted as being "in conformance with its interests" in today's world and area conjuncture, is at the root of those "deep seated conflicts." In view of Libya's relations with the the U.S. "which show irreconcilable differences" and of its policies of giving direct support from time to time to "radical movements" in the Near East, the consequences of Turkey's policy of "balance, moderation and rapprochement with all the nations" in that area inevitably led to a conflict. And those pressures are at the bottom of a freeze in Turkey's relations with Libya which is "getting to be permanent."

On the political level, especially in view of all the efforts Turkey is making, because of this freeze which is not overt in practice but which is "felt" at all times and which has been perceived so far as being one sided, even though somewhat kept within bounds by initiatives and measures of a chiefly palliative

nature, finding a solution to the economic and trade problems is becoming increasingly difficult.

Necessity of Plain Speaking

The Turkish commission presided over by State Minister Ismail Ozdaglar, is constituted by Treasury and Foreign Commerce Adviser Professor Doctor Ekrem Pakdemirli and officials from the Ministry of Foreign Affairs who, together with Pakdemirli, will be in charge of technical contacts; by Treasury experts and officials of the Central Bank; and by administrators of the Turkish Petroleum Refineries Corporation who will deal with the problems related to oil deals and who will also be included in the commission.

In the course of the talks, as the state of joint economic relations is reviewed and possibilities of creating new ties are researched, "bringing things out into the open" when assessing the situations appears to be inescapable for both sides.

The problems of the Turkish contracting firms operating in Libya, which stemmed in a way from the "negative attitude a large number of those firms adopted," come first on the agenda and the framework of those problems is fairly extensive. According to information obtained from sources which closely follow economic and commercial activities in Libya, the "payment difficulties" which paved the way to the complaints arose from Libya's using the excuse of the "particularities of the budget year" to stretch the "periods between payments due" to as long as 8 months.

Libya, after implementing until 1981 the "end of the fiscal year" period, when payments to foreign companies were stopped between "the months of November and April," after the aforesaid year extended that period to 8 months. Libyan authorities, on the pretext that "public accounts" were being put in order, made no payments at all for 8 months of the year, after the above mentioned year. This "sui generis" implementation particularly upset the capital balance of the Turkish contracting firms which operated in Libya. As this state of affairs continued, with the exception of a few large firms, firms of medium size were brought to the brink of bankruptcy. In an attempt to counter the effects of those negative pressures which affect, among other, the Kozanoglu-Cavusoglu group, the large firms resorted to "slowing down work, dismissing workers, using foreign capital or bringing a cheaper labor force from the Far East."

Those difficulties which arise from Libya's problems and the attitude it has adopted, are becoming even harder to solve as the result of wrong approaches both on the part of the Turkish administration and at the firm level. The lack of efficiency in implementing the joining agreements, the fact the international firms which contracted with this nation were given a free hand and that their activities were not subjected to any kind of serious control mechanisms are among the most serious mistakes Turkey made from the administrative angle.

At the corporate level, the situation is even worse. While the Turkish firms which leaped in the direction of openings toward the outside without being sufficiently prepared are paying a compounded price for their shortcomings,

they are still unable to realize the mistake of looking at a situation from "too narrow a perspective." In fact, as has been ascertained, up to now an important number of the Turkish firms in Libya "peddle registration certificates, use advances of foreign currency for risky endeavors, take advantage for themselves of workers' transfer rights and instead of importing Turks resort to workers smuggled from countries such as Egypt and India, with the excuse that they are 25% cheaper." Since the necessary precautions against such wild and wrong practices were not taken on time at the administration level, Turkey's position has been weakened in a market with prospects for development such as Libya's.

It would be advisable for State Minister Ismail Ozdaglar and Treasury Adviser Professor Doctor Ekrem Pakdemirli, in the contacts they will make in Libya in the name of the Ozal government, instead of seeking "immediate and sensational" results, to try and establish a sound and durable basis for middle and long term commercial and economic relations.

12278

CSO: 3554/146

OZAL GOVERNMENT PRESENTS ECONOMIC PACKAGE

First of Three Packages

Istanbul CUMHURIYET in Turkish 20 Dec 83 pp 1, 11

[Text] Ankara (CUMHURIYET BUREAU)--As its first package of economic measures, the Ozal government has issued revisions related to high interest and the banking system. In a series of edicts published in the supplement to yesterday's RSEMI GAZETE, it was decided that while returning to the principle of having the Central Bank set deposit interest rates, the highest interest should go to the new "3-month notification demand deposits" initially. This issue, which is similar to 3-month time deposits, will yield gross interest of 49 percent and net interest of 39.2 percent for the first 3 months. This rate will be redesignated by the Central Bank after 3 months.

Under the revisions which become effective today, 6-month deposits will earn 47 percent gross interest and 37.6 percent net interest, and 1-year deposits will earn 45 percent gross interest and 36 percent net interests. The practice of monthly payment of interest is discontinued, while accounts with interest compounded quarterly will earn 42 percent gross and 33.6 percent net interest for 6-month to 1-year accounts and 38 percent gross and 30.4 percent net for 1-year accounts. Interest rates on accounts opened at the banks prior to the revisions will remain valid until maturity. Tax withholding, deducted from gross interest, may be reduced to 10 percent for all types of accounts, but since it cannot be done at present savers may expect an increase of only around 5 to 7 points in net interest.

However, if the bill amending article 105 of the Income Tax Law becomes law, the present income tax deduction of 20 percent (30 percent on checking accounts) will come down to 10 percent on all types of deposits. If the bill now in the Assembly passes, net interest on "3-month notification demand deposits" will rise to 44.1 percent, on 6-month deposits to 42.3 percent and on 1-year deposits to 40.5 percent. Interest earned on deposits with interest compounded quarterly will be 37.8 percent net interest on 6-month deposits and 34.2 percent on 1-year deposits if withholding is reduced to 10 percent.

Meanwhile, the gross interest rate of 20 percent on demand deposits will drop to 5 percent. Commercial deposits will earn interest according to their terms under the new regulation.

The new regulation prohibits advance interest payments by the banks, but makes it possible for them to reissue certificates of deposit written to bearer or individuals. Time foreign exchange conversion accounts are to get 4 points extra interest. This difference was previously 5 points.

The Council of Ministers also approved a regulation directed primarily at Arab capital to allow interest-free financial transactions in Turkey. The new regulation allowing private financial institutions, is being interpreted as enabling banking by Islamic rules in Turkey and the operation of a new type of brokerage institutions.

The bank and insurance transactions tax imposed on credit interest is reduced from 15 percent to 3 percent, intended as a measure to reduce credit costs for the customer, and new rules will apply in setting credit interest rates.

The new regulation leaves it up to the banks to set interest rates they receive on credit according to type and maturity. On the other hand, to prevent their going above a certain ceiling, interest rates applied by the Central Bank in its rediscount and advance dealings with the banks are revised. Accordingly, interest rates to be applied in rediscount and advance procedures are raised from 28 percent to 48 percent on short-term credits.

While the previously 29.5 percent interest rate on medium-term credits with incentive certificates is raised to 50.5 percent, the interest rates which varied between 10 percent and 28.75 percent on investment credits are combined and raised to 30 percent.

The revision of investment credits also reduces those interest rates which varied between 19 percent and 28.75 percent to 19.5 percent. Rediscount and advance credit rates on agricultural credits are raised from 17.75 percent to 26.25 percent. There is a new provision on advance procedures on bonds that adds "2 points higher interest than stated on the bond," while the Central Bank's advance on gold is discontinued. These rediscount rates will govern how the banks apply the interest rates which are set as 50 percent generally on short-term credits, 35 percent on export credits, 20 percent on ship construction credits and investment credits used in priority development areas, 30 percent on other investment credits. For each point over these stated rates as applied by the banks in their interest rates, the interest rates to be applied in rediscount advance procedures will go up 2 points.

Interest Difference Rebate Fund

The third Central Bank communique published in yesterday's RESMI GAZETTE revises practices related to the interest difference rebate fund. Rebates to the banks from the fund are reduced as regards interest differences applied in particular for the purpose of reducing the cost of investment credit and encouraging exports. The rate of rebate to the bank from the fund in short-term export credits is reduced to 8 percent, while the interest difference on agricultural credits which was previously 8 percent is reduced to 7 percent.

A new practice is introduced for medium- and long-term credits involving investment credits with incentive certification. Accordingly, an 8-point reimbursement will be made from the interest difference fund at the Central Bank to the banks which offer incentive investment credit. Similarly, the rebate to the bank on credits offered by the Real Estate Credit Bank for housing and building savings credits incentives will be 9 points.

Meanwhile, the new communique also contains a provision encouraging foreign exchange-based savings. However, the previously 5-percent interest difference rebate will be 4 percent on time savings deposit accounts to be newly opened by Turkish workers.

Deposit Reserves

The fourth communique published in yesterday's RESMI GAZETTE revises "reserve" practices. These are the percentages of banks' total deposits which they keep in reserve accounts at the Central Bank. The former rate of 35 percent for demand deposits and 30 percent for time deposits is reduced to 25 percent and the demand-time distinction is eliminated.

For credit contracts concluded as of 1 January 1984, banks may deposit 15 percent for the reserve for incentive credits included in the development plans and annual programs and 20 percent for export credit reserves.

Since Turkey's Stand-By Agreement with the IMF contains a provision that no change will be made in reserve practices until the end of the year, the Central Bank communique on deposit reserves will go into effect the first of the year.

Reserve Classifications of Banks

The reserves which banks are required to keep against their obligations, called "general disposability," have also been redefined effective the first of the year. Disposability rates previously applied as 10 percent for banks with less than 2 billion liras in total deposits, 12.5 percent for banks with deposits between 2 billion and 5 billion liras and 15 percent for banks with deposits in excess of 5 billion liras will now be 10 percent without regard to classification.

Cost Reduction

In addition to other measures to lighten the banks' cost burden, banking and insurance tax rates will be reduced from 15 percent to 3 percent effective with the new year.

Interest-Free Banking

The Council of Ministers also approved a revision to make possible the conduct of interest-free financial transactions in Turkey. According to this edict, private financial institutions may be established in Turkey, and ones established in other countries may be active in Turkey as well.

To supplement their capital, private financial institutions may solicit funds for special current accounts and profit- and loss-sharing accounts and may devote funds to the economy.

Tax, Price Hike Packages

Istanbul CUMHURİYET in Turkish 21 Dec 83 p 1

[Article by Faruk Bildirici]

[Text] Ankara--The Ozal government's economic measures are divided into three packages, it was learned. The Ozal government is expected to open its second economic package after the vote of confidence.

Work on the second package of measures was stepped up after the first package, containing revisions involving high interest and the banking system, went into effect, according to information obtained.

The Ozal government's second package involves "tax reductions" and "certain revisions related to the resources of the matters to be carried out." The measures being referred to as the second package consist of revisions which may be made by statutory edict. Measures included in this package will go into effect after the Ozal government receives a vote of confidence.

The third package will consist of legislation. Preparations for this part were completed in major outline before the government was formed. These bills, of which only the "first draft" had been completed, were polished with the aid of technical staffers and concrete data obtained after the government was formed. These bills are expected to be presented soon to the Turkish Grand National Assembly. Some of the bills included in the part referred to as the second package are listed as:

--Capital Market Law

--Trade Law

--Central Bank Law

--Banking Law

--Debts Law

--Customs Law

--Laws pertaining to taxes and personnel.

Also, Resolution No 17 on the Law to Protect the Value of Turkish Currency will be reviewed later.

The statutory edicts included in the Ozal government's first package were presented to President Kenan Evren personally by Prime Minister Turgut Ozal and Deputy Prime Minister Kaya Erdem at a meeting held last Saturday. In presenting the edicts to Evren, Ozal and Erdem explained the measures and the rationale for them.

It was learned, meanwhile, that the Ozal government is working on attempting to define the status of certain commodities after which the prices of certain items will be revised. It is believed these revisions will be primarily one-time and "wholesale."

8349

CSO: 3554/107

OZAL, ERDEM, YAZAR ON GOVERNMENT ECONOMIC POLICY

Istanbul TERCUMAN in Turkish 17 Jan 84 pp 1,9

[Text] Prime Minister Turgut Ozal said:

Tradesmen, workers, public employees, retirees and farmers face major problems. It is the government's responsibility to bring solutions to these problems. Therefore, we have undertaken very important tasks in less than a month. We are not thinking in terms of slowing down. Those who could not grasp the nature of our undertakings will do so and will act accordingly.

The Turkish Chamber of Commerce Expanded Meeting of Joint Chairmen took place in Ankara yesterday. Prime Minister Turgut Ozal, who attended the conference, stated that a new era has been opened by the November 6 elections. Pointing out that in the election manifesto and the government program they have stated openly and clearly that in economic policy they will attach great importance to individual enterprise, that they will support the spirit of enterprise and that free competition will be taken as basic premise, he said:

"We are doing our best so that the resources of this country are better utilized and the people of this country attain a better living standard."

Premier Ozal pointed out that the housing problem is serious and the rents are simply insufferable. His further comments could be summarised as follows:

Exports are Turkey's most important problem. In that regard, the 1983 picture is not very pleasing. Inflation has gone over 40 percent. Furthermore, export performance in 1983 has not been successful. There are various reasons for the failure of our exports to rise despite the general growth of trade in the world. Parallel to the drop in exports the rate of increase in the GNP has slowed down. Whether the national income increases or not has an impact on standards of living.

Foreign Exchange

Having pointed out that it was the businessmen who have been most adversely affected by the previous foreign exchange regime, Premier Ozal asserted that

the government, in a single stroke, had implemented a reform which could not be carried for years, bringing much needed relief. Continuing, the Premier said:

Providing we are successful in our policies - and I am certain that we will be - a year from now we could undertake a bigger initiative and dispose of the regulations protecting the Turkish currency, completely. The system is premised upon free competition. Free competition, free market is the most conducive environment for the development of legitimate enterprise. It is no longer possible to operate an industry or engage in commerce on the basis of 'cost-plus-profit' as favored by some contracting firms. Competent businessmen will provide better and cheaper goods for our people by utilizing the country's resources more optimally. In our capacity as the government we have to think of our people as well as you. We have not completed our transition to the free competition system. We are in a transitional period. Step by step the transition will be completed. Turkey is obliged to become a bigger country.

Ozal said that one can no longer impose burdens upon the people, therefore when developing industry it is necessary to chart a more rational course. Noting that failure "to give proper attention to the consumer might lead to a change of system", Ozal reminded that they have introduced an import regime alongside the foreign exchange regime. Reiterating the point that any errors in the new arrangement can be corrected, Premier Ozal said:

"All our mistakes will be corrected."

Noting the increase in the flow of bank deposits, Ozal announced that deposits went up from 19 percent to 50 percent. He spoke as follows:

Everywhere we went we saw the same thing. The farmer has recognised the importance of exporting. They are pleading with me to 'open the door of export so that our produce may fetch a good price!' This is the crux of the matter. The important thing is not simply the rise in export figures, but opening the doors of export so that our people might attain better living standards.

Big Trading Companies

Pointing out that "there are complaints regarding big export trading companies" arising from the new arrangements, Premier Ozal said:

This is not a new issue. The issue of big trading companies has been around since early 1970. Incentives have been given since that time. We know that exporting is a matter of expertise. We also know that exporting is a matter of good organisation. Just as incentives to industry were offered and big or medium-sized industry was encouraged for years on end even at the expense of our consumers, we have to offer incentives to big organisations when dealing with the export issues. This does not mean monopolisation. Within the regulatory framework avenues are open to everyone. We have not brought this system just because we had problems with socialist countries where importing is

done through state agencies. We want to see the volume of trade with these countries go much higher. The clearing system has the effect of almost completely reducing the imports from these countries when Turkey has foreign exchange in its coffers. When Turkey is short of foreign exchange, however, imports from these countries goes up. This creates a situation whereby we are not able to export to these countries. Turkey's trade with these countries has to exceed one to two billion dollars. With the methods that we have introduced it is possible to increase our trade with these countries substantially.

In the final section of his speech, Premier Ozal remarked that Turkey is facing five more hard years. He said:

It is necessary that we remain solidly intact during the next five years and reinforce the democratic system. When there are no more hungry people in Turkey, when problems like the high cost of living, unemployment are resolved, other problems can be easily resolved too. It is inconceivable that we regress to previous eras. We should look forward. If we stumble upon 12 September once again, we may not be able to come out this time.

Erdem's Speech

During the expanded meeting of the joint chairmen of the Turkish Chamber of Commerce, Kaya Erdem, minister of state and deputy premier, also spoke. Erdem pointed out that the government has adopted as its goal stable development within the framework of free democratic parliamentary regime and that the fundamental choice has been made in favor of free market economy. Maintaining that for the acceleration of development we would have to rely upon the solid backing of internal and external resources, Erdem asserted that investments made by businessmen in every field are considered significant. He said:

All your activities which may contribute to our economy will be supported by our government. If investments are made without taking the foreign currency balance into account we may face foreign currency bottlenecks yet again. Therefore, increasing the exports are necessary for establishing the foreign currency balance and for increasing the rate of development.

Erdem also stated their belief that "free enterprise would show greater exertions than in the past and would contribute to development with determination and enthusiasm."

Yazar's Speech

Mehmet Yazar, the chairman of the Turkish Chamber of Commerce, maintained in his speech that Turkey had arrived at this stage after passing through extremely difficult and dangerous times, which should be well-appreciated. In

terms of fighting inflation, increasing exports and economic growth 1983 was not a successful year, however it should not be considered a total loss either. Yazar continued:

We are observing with satisfaction that the government program - whether it is the identification of problems or the model proposed for their solution - is conceived in such a way as to contain matters like the lowering of inflation, the opening to the outside world, the elimination of the energy and infrastructure bottlenecks, housing and income distribution. When we look at the overall picture presented by the recent economic decisions, we see that serious steps have been taken to ensure the smoother functioning of the free market economy.

Maintaining that there has been no significant increase in bank deposits, Yazar said:

Since there is no decrease in the demand for credit, I hope the banks do not assume an inclination to increase the costs of credit use in coming days.

Regarding the issue of trade with those countries which conduct their external trade through state agencies, Yazar criticised the authorisation of those companies which have exported over \$50 million worth of goods. He said:

I have to point out right at the outset that even if all other considerations were justified, we cannot endorse these decisions which grant privileges to a limited number of firms and which contravene the principles of free competition and market economy. If the concern were over contractual exchange, since such transactions would be possible only through the permission of the under-secretary's office, the doors could have been left open for all firms capable of engaging in such activity. Furthermore, there is no rule stating that contractual exchange is carried out better by those companies with exports totalling over \$50 million. Serious doubts exist as to whether this system - which is known to have been successful in certain countries - will prove adaptable to the conditions in our country.

"Since the lowering of inflation has been targeted", Yazar demanded that, "the decisions should be reinforced by supplementary measures, that problems which might arise should be handled promptly and that new external financing worth \$2.5 to \$3 billion should be found."

The expanded meeting of the joint chairman of the Turkish Chamber of Commerce was attended by Abdullah Tenekeci, and Mesut Yilmaz (both ministers of state), Cahit Aral (minister of industry and trade), Ekrem Pakdemirli (the under-secretary of the treasury and foreign trade).

12466
CSO: 3554/128

LEGAL REFORMS FAIL TO RESOLVE 'SEE' PROBLEMS

Istanbul DUNYA in Turkish 6 Feb 84 p 5

[Article by Oguz Selimoglu: "Nothing New on KIT Front"; passages enclosed in slantlines printed in boldface]

[Text] The part played by State Economic Enterprises in the Turkish economy is so important that it does not warrant discussion. And that is why the view that a steady and permanent improvement of the Turkish economy depends on those enterprises yielding all that is expected of them is prevalent. It is for this reason that insiders and outsiders insistently dwell on the question of the KIT's [Public Economic Enterprises] /"reorganization."/ The fact that the KIT achieved consolidated profits during the past 2 years does not mean that those enterprises' structural problems have been eliminated. Essentially, looking at the KIT's consolidated revenue and expenses makes it harder to diagnose their ailments and weaknesses.

Among the factors that make it hard to tackle their problems as a whole and find solutions by analyzing them is that the duties, the structure, the legal status of the establishments grouped under the heading of Public Economic Enterprises are widely varied. In fact examining the KIT as a whole helps conceal from public opinion the real losses of those enterprises. The income statements prepared by deducting the /"profits"/ of the ones called savings institutions from the losses of the production units mislead the public. It is necessary indeed to examine to what extent it is right to study those 2 types of institutions within the same framework.

The KIT have both general and specific problems. The general problems common to all the KIT have often been dwelt on. We can define them as follows: (I) The KIT are [not?] well administered [sic]. The top level administrators who get frequently changed do not have the time to fully master institutional problems. A top level administrator who has few hopes of remaining for a long time in his position tends to prefer short term measures, to seek ways of getting on well with those who represent political authority. The administrative establishments are unable to perform properly the functions expected of them. Those administrative establishments are mainly used and viewed as /"places for providing people with jobs."/ (II) The KIT have insufficient capital. (III) the KIT are over staffed. The high number of employees, beside raising current expenses also compounds drawbacks. Political pressures and past competition among the trade union also have a share in the reasons for over staffing. It has not been possible to break free of the habit of looking on the KIT, even though this might be wrong, as institutions that will help solve the nation's unemployment problem through over staffing.

Whereas such an expenditure of resources plays a part in making the middle term solution of the unemployment problem more difficult. (IV) Although this was repeatedly included in development plans and annual programs, it has not been possible to establish a connection between salaries, salary increases and productivity. (V) Investment decisions were not always made on the basis of objective criteria. Such decisions were made most of the time outside the institutions and handed down to them as tasks. It is well known that in choosing locales for investments, political thinking prevailed over economic considerations. Often in choosing a site no attention was paid to the availability of raw materials, proximity to markets and similar factors. (VI) Relations between the KIT and the relevant ministries go far beyond the meaning of the word "relations." Ministers and ministries see it as a natural part of their duties to intervene in the KIT's administrative affairs.

It is possible to draw up an even longer list of the KIT general problems. Because of the ones mentioned above and of similar problems, which prevented the KIT from generating resources in the way projected by development plans and caused them, in a sense, to expend resources the need to reorganize the KIT has been kept on the agenda from the 1950's to this day. In the 1960's the legislation on /State Economic Enterprises,/ meaning by that laws No 440, 441 and 468, was passed after extensive work was done and it was emphasized that this was reformative legislation. Unfortunately the necessity to further amend the above mentioned legislation arose before there had even been an opportunity to fully implement it and so work to that effect began again. The latest link in this new chain of amendments is probably, for the time being, law No 2929, dated 19.10.1983, on /State Economic Organizations and Public Economic Enterprises./

This law redefines State Economic Enterprises. According to the definition a State Economic Organization's /"capital belongs entirely to the state, it being a Public Economic Enterprise founded to function in the economic field in accordance with the principles of trade." Law No 2929 also makes a distinction which is not to be found in law 440. The name of Public Economic Foundation is given to this new type of Public Economic Enterprise. The Public Economic Foundation is defined as /"A Public Economic Enterprise whose capital belongs entirely to the state and is founded by law with the aim of producing goods and services and marketing them as a monopoly and with the emphasis on its character as a public service."/

As can be seen, law 2929 establishes the principle that the capital of State Economic Enterprises and Public Economic Foundations belongs entirely to the state. Legislators deemed it useful to make separate reforms for Public Economic Foundations which function as monopolies to produce goods and services.

Unfortunately, nothing much was fundamentally changed by law No 2929. In essence changing only the framework of the law cannot ensure that the KIT will function profitably and productively nor that they will originate resources. The problems of the KIT today continue to be the same as yesterday. When the old law was enforced, the losses of the KIT which did not operate in a profitable and productive way were made good by the Treasury. With the new law, the principle that the KIT are free to determine the price of the goods and services they produce has been established. It is meant to demonstrate that political intervention has been eliminated when it comes to determining the price

of KIT products. We have some difficulty in perceiving this measure as a novelty. For a similar provision in somewhat clearer terms, which stated that the KIT would determine the prices of their own products existed already in law No 440. In article 24 of law No 440 it was clearly stated that the price of basic goods and services that would be identified as such would be determined by the government and that the losses that might result would be made good by the Treasury. Law 2929 also has a similar article. After stating in article 33 of that law that organizations, institutions and affiliated companies are free to set the prices of the goods and services they produce, it is added that when necessary those prices can be determined by the Council of Ministers. In such a case, the losses to be suffered, together with the profits of which they will be deprived, will be covered for that same year or for the following year through a loan which will added to their general budget.

It looks like those foundations, instead of concentrating on costs, having been unable to find today as well any other solution to recoup their losses, must raise the prices of their products.

12278

CSO: 3554/146

PRICE HIKES JEOPARDIZING SMALL BUSINESSES

Istanbul MILLI GAZETE in Turkish 21 Dec 83 pp 1, 9

[Text] Ankara/Izmir (TURKISH NEWS AGENCY)--There has been a call for urgent government measures against price increases, citing the negative effect on business of the excessive price increases of recent weeks which, if continued, will bring many businesses to a halt.

In interviews with the TNA, Kasim Onadim, chairman of the central union of Turkish trades and guilds cooperatives, and Demal Tercan, chairman of the Izmir Trades and Crafts Guilds Union, said the string of price hikes on various products was causing a big drop in business volume, especially for small business, and economic difficulties for many businesses.

Chairman Onadim of the central union of Turkish trades and guilds cooperatives stated that the trades and crafts were facing great difficulties today. He said:

"The recent price hikes have been bad for our trades and crafts guilds. If the tradesman or craftsman is a producer, he is 10 times more a consumer. Some people think all they have to do is find somebody to blame for the price increases. Yet, the state enterprises have taken the lead in the price increases, or rather, price hikes of recent years. What have the tradesmen and craftsmen had to do with price increases? On the contrary, our tradesmen's shelves are empty as a result of inflation and the recent hikes."

Small Business Threatened

Chairman of the Izmir Trades and Crafts Builds Union Cemal Tercan also said the string of price hikes in recent weeks had led to reduced business volume, and a squeeze on capital especially for the small tradesman. He said:

"The recent hikes have greatly reduced the purchasing power of our people. And has a negative effect on our tradesmen's business. Meanwhile, there are claims that our tradesmen are making unfair profits and hoarding inventory. How can our small businessman stock his shelves when his capital is insufficient, owing to inadequate credit on the one hand and shrinking business volume on the other? Only a business that is economically self-sufficient has the ability to hoard inventory. The small businesses are the ones bearing the brunt of economic conditions today."

Cemal Tercan added that they were hoping for an effort by the government to improve the situation of the trades and crafts.

NEW EDICT TO GOVERN OIL POLICY

Istanbul CUMHURIYET in Turkish 20 Dec 83 pp 1, 6

[Text] Ankara (CUMHURIYET BUREAU) -- The Ministry of Energy and Natural Resources has been authorized to set new prices when a change of between \$4 and \$12 occurs in future oil prices. Dealers will not be required to announce changes in liquid fuel prices if they do not exceed 3 percent. Energy Minister Cemal Buyukbas announced in a government edict published in yesterday's RESMI GAZETE that "prices of petroleum products at the refinery door are based on cost."

Petroleum Affairs General Director Azmi Baran said that the new edict was concerned with the more realistic setting of refinery costs and there was no question of oil prices being set daily.

The edict on setting trade prices of petroleum products revises the handling of the Liquid Fuels Price Stability Fund. In the practice to date, differences in petroleum prices have been met from the fund with the Council of Ministers occasionally adjusting the prices of petroleum and petroleum derivatives. The new procedure allows prices of petroleum products to be adjusted on the spot according to fluctuations in oil prices.

An important element of the new procedure introduced by the edict is that the current rate of foreign exchange will be the basis for figuring crude oil import costs. In the words of the edict: "The crude oil import cost is the CIF value, which shall be reckoned at the selling rate of foreign exchange current on the date on which the discharge of the petroleum being imported from the ship to the refinery is completed."

Taking the current rate of foreign exchange as the basis prevents the amount arising from dollar parity differences from coming out of the Liquid Fuels Price Stability Fund.

Energy and Natural Resources Minister Cemal Buyukbas said in a statement he released about the government edict on petroleum prices:

"The principle adopted in setting prices of petroleum products as they leave the refinery is to take as the basis the cost of crude oil imported into the country and processed at the refineries and to distribute prices according to the Italian product price average appearing in Platt's Oil Gram bulletins.

"Previous practice was to set product prices according to the Persian Gulf prices, also announced in Platt's Oil Gram, of petroleum products which do not take into account the import price of crude oil. The only link to crude oil cost was in the discount rates declared on product prices.

"With the new decision, refinery margin limits are assigned as dollar amounts. Previously, refinery margins were fixed according to actual status.

"The edict introduces a new provision whereby inventory and price difference verifications will not be made in cases of price increases not exceeding 3 percent.

"All details pertaining to implementation of the edict will appear in future edicts issued by the Ministry of Energy and Natural Resources. Previous practice has been to include the major portion of this information in the initial edict.

"Thus, prices of petroleum products as they leave the factory have been put on a cost basis and compliance with regulations has been made easier."

Clarity Brought to Former Practice

Petroleum Affairs General Director Azmi Baran asserted that the Council of Ministers decision on the Liquid Fuels Price Stability Fund brought clarity to the former practice. Baran also said there was no question of setting petroleum product prices daily depending on the current rate of foreign exchange.

Baran said the edict made procedures plainer and easier and that it was a matter of setting refinery costs more realistically instead of at nominal value. He continued:

"The new edict has nothing to do with the consumer; it is concerned only with production and distribution matters. Administering the Liquid Fuels Stabilization Fund has been made easier. Refinery costs used to be reckoned at nominal value. It is a matter of more realistic cost setting instead."

As regards attaching refinery margins to margins varying between \$4 and \$12 instead of actual status, Petroleum Affairs General Director Azmi Baran said:

"Actual margins used to be the basis. This led to confusion and difficulties. Now the ministry will set margins varying between \$4 and \$12 for each refinery individually. That is, accounting has been made easier."

Sales of gasoline and bottled gas will continue to be set by the ministry as before in the provinces and districts, Baran said, stressing that the edict had no direct bearing on the consumer.

8349

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'ACID RAIN' WILL SERIOUSLY SLOW FOREST GROWTH IN NEXT DECADE

Air Quality Standards Readied

Helsinki HELSINGIN SANOMAT in Finnish 19 Jan 84 p 8

Unsigned article: "Acid Rain Has Badly Damaged Vantaa Forests: Thermal Power Station Pollutants Biggest Offender"

Text Two-thirds of Vantaa's forests are dying because of acid rains. In a still secret study of the Vantaa environmental board it is said that most of the city's forests are damaged by acid rains.

At the beginning of last year Satu Huttunen, a lecturer at the Botanical Institute of Oulu University, was commissioned to clarify the state of Vantaa's forests. Her final report says it in unadorned language: only a third of Vantaa's trees have been spared from damage.

Docent Huttunen has just handed in her final report. Vantaa's environmental board will discuss its results on February 13.

Huttunen's report leaves no room for doubt. According to her Vantaa's trees have suffered serious damage.

"According to the study two-thirds of Vantaa's trees are more or less damaged. The biggest offenders are the air pollutants; the damage comes mostly from thermal power plants.

"In the popular language these are the much talked-about acid rains. There are other factors in tree deterioration, for example, construction and insect pests, such as the ones which bore into the pith.

"In any case the primary culprit in the weakening of the trees is air pollution. Local emissions have the biggest effect. There's no use blaming Central Europe," says Huttunen.

"From what I hear, a corresponding study has been done in Espoo, and the results are evidently the same. The forests are damaged in the same manner as Vantaa's."

Needles Bear Witness

According to Huttunen the problems of Vantaa's trees mean, in practice, that the trees are going to die. In the first stage the cubic capacity simply declines.

Vantaa's city environmental protection secretary Kirsti Virrankoski says that Huttunen's study has been given to the environmental board for it to deal with. It will not be taken up until the middle of next month.

"The figures are valid. The biggest part of Vantaa's forests is damaged. It follows from this that the trees are drying up, and the economic losses are obvious.

"Sulfur has been found in the needles of conifers. Most of our trees are firs, and other heavy metals like lead have been found in them."

According to Virrankoski the worst destroyers of Vantaa's forests are to be found in Espoo and Helsinki, in their thermal power plants. "Our own smokestacks are so high that the poisons go to the northern municipalities, Vihti, Tuusula and Nurmijarvi."

Virrankoski says that there are clearly verifiable traces of acidification in Vantaa's soil. Vantaa has not yet reached the situation of Central Europe, but the future does not bode well.

"Most of the poisons come from Finland. The acid rains of Central Europe are merely an addition to the present problem."

Pollution Damage of Trees Remains Latent for Long Time

According to researchers it is too late to try to save trees when the damage caused by air pollutants is noticeable to just about anyone. Air protection measures should have been instituted much earlier.

At the present time one is better able than before to detect the first signs of pollution troubles, especially from needles.

A needle is covered by a certain kind of wax surface, which normally lasts the life of the needle, or five-six years. In polluted areas the wax surface wears out in a year or two, say researchers Satu Huttunen and Kari Laine in the most recent issue of the journal SUOMEN LUONTO.

The function of the wax is to protect the needle from wind, insect pests and excessive radiation. As the wax wears out, impurities pass into the needles penetrating the cells and activating their defense mechanisms.

The cells try to fend off poisons with, among other things, oxidation enzymes, which researchers call "stress enzymes." By measuring these enzymes one can obtain a warning of the atmosphere's impurities.

With microscopes researchers also find pollutant-induced changes in the structure of chloroplasts and damages in the cells.

According to Huttunen and Laine as little as 15-30 micrograms of sulfur dioxide per cubic meter of air influence the growth of fir, if the pollutants exert their influence for years. In the region of the capital and on its outskirts the contents have been about 40 micrograms.

In Uusimaa latent influences must have been produced in abundance, because the contents have already been on this level for a long time, say the researchers.

Soil changes are the most destructive of all for the forests. The effects of acid rain come through the soil in three stages.

In the first stage the trees grow even better than before, because along with the fallout come, among other things, nitrogen compounds. The soil's nutrients go into circulation. In Finland the forests are now in this state; in South Finland the sulfur content of the needles has risen. Sulfur also manifests itself as a lessening of the needles.

In the second stage the nutrients circulating in the soil are flushed out along with the water. Microbial activities weaken. The forest's output starts to decline.

In the third stage the metals are flushed into motion. Aluminum poisons the trees' root system and tissues. Destruction can no longer be avoided.

In Finland the soil is especially sensitive to the effects of acid rain, because in it are few nutrients and little lime. A severe winter presents so much of a strain on the conifers that there is no reserve for the extra strains of pollutants.

Environment Ministry Prepared New Guidelines for Air Quality

The Ministry of Environment has completed a proposal for guidelines concerning air quality. The proposal contains general numerical guidelines for the maximum content of sulfur dioxide, nitrogen dioxide, carbon monoxide and particles in the open air.

The intention is for the State Council to render a decision on the matter as early as this spring. The Ministry of Environment has asked various officials and organizations for opinions on the proposal by February 10.

The State Council's decision would only be a guideline, not a directive. The numerical guidelines are only one way to achieve the goals of air protection. Other methods are the declaration of an air-protection law and emission standards, the Ministry of Environment says.

According to the preliminary draft the maximum content of sulfur dioxide would be on the average 50 micrograms per cubic meter in a year, 200 in a

twenty-four hour period and 600 micrograms in an hour. The highest particle content would be 600 micrograms calculated as an annual average value and 150 micrograms in a 24-hour period.

It is proposed that the maximum content of nitrogen dioxide be 150 micrograms in a 24-hour period and 300 micrograms in an hour, as well as 10 micrograms of carbon monoxide in 8 hours and 30 micrograms in an hour.

These numerical guidelines relate to densely populated communities. For areas important from the standpoint of forestry and environmental protection it is suggested that 25 micrograms in a 24-hour period be the maximum value of the sulfur dioxide content.

The long-term goal ought to be that the sulfur fallout on areas of protection and forestry management would be at most 0.5 grams per square meter in a year, the Ministry of Environment judges. If this is reached, the forests and rivers and lakes can be protected from acidification, the Ministry believes.

The level of the numerical guidelines is chosen so that the lower contents, in accordance with our present knowledge, do not cause harm to human beings or the environment, says the Ministry of Environment.

Damage Worse Than Previously Thought

Helsinki HELSINGIN SANOMAT in Finnish 22 Jan 84 p 10

[Article by Antti Vahtera: "Acid Rain Damage in Finland Becoming Worse"]

[Text] Docent Satu Huttunen, who has been investigating the effects of acid rain on Finland's forests for fifteen years, urges officials to adopt a stricter line. Acid rain has caused more damage in Finland than people generally want to admit.

Docent Huttunen relates that in certain areas of South Finland there appear even greater annual average values of sulfur dioxide than in the Central European mountain forests which acid rain has destroyed. These areas are the capital region and the surroundings of Tampere, Lahti and Porvoo.

Docent Huttunen, whose permanent place of employment is at the Botanical Institute of Oulu University, has worked as a senior researcher of Finland's academy since the beginning of the current year. She has investigated the effects of air pollutants on Finland's environment and especially its forests since the start of the 1970s.

She became interested in acid rain at the same time, but ended up saying that in Finland people were not sophisticated enough to understand the seriousness of the problem.

"Ten years later I requested money for acidification studies. I received money for research only touching on local effects. They weren't turning loose any funds for soil studies."

Hesitation Harmful

The problem is, of course, to the very greatest degree international. Finland gets about half of the air pollutants which cause acid rain--mostly sulfur and nitrogen oxides--from abroad.

However, the damage which has occurred, for example, in Vantaa's forests, which according to Docent Huttunen's research applies to as many as two-thirds of the trees, is caused mostly by the capital region's own thermal power plants.

Docent Huttunen stresses that although international cooperation is needed, it would be wrong to expect too much from the signing of international agreements. Each country has to act vigorously against its own sources of pollution.

Nuclear Energy Does Not Resolve Acid Rain Problem

Still, in Finland good results have been achieved in this field. One of these is sludge bed combustion, developed by Ahlstrom, Inc. The method itself has been known for a long time, but it has been decisively improved in recent times.

"The new solution is connected with the circulation of air, in which burning is more efficient," Docent Huttunen related. "During combustion you can feed in lime and bind the sulfur. The method is considerably cheaper than smoke-gas purification. In addition the newest tests demonstrate that the method can be adapted to institutes of all sizes."

Dead Fish in Small Lakes

"This boundary is, to be sure, somewhat theoretical, but if the acidity of lakes and rivers is investigated, a clear boundary runs somewhere in the neighborhood of Rovaniemi," Docent Huttunen relates.

She also emphasizes that because of the severe winter our forests are more sensitive to acid rain than the woods of Central Europe. Therefore, here in Finland acidity contents should not even come close to Central Europe's level.

"Here it has been proven that the needles have been more severely eaten into than in Central Europe. Evidently sulfur compounds are more poisonous at low temperatures."

In South Sweden and Norway there are thousands of small lakes in which fish have died because of acid rain. Satu Huttunen says that evidently the same development has begun here. In South Finland acidified lakes have been found, and the first changes have been observed in the soil.

"Strictly speaking, the only difference in the circumstances of Finland and Scandinavia is that here the problems of acid rains have come later. This derives in part from the geographical distance to the foreign sources of

pollution, and in part from the fact that here industrialization took place later."

Perhaps owing to precisely this time difference, Finland's officials have adopted a clearly slacker attitude towards acid rain than in Sweden and Norway. In both countries even studies relating to acid rain were started about ten years ago, while here in Finland they were essentially initiated just recently.

The same situation still continued at the end of the 1970s, when Satu Huttunen served as a member of the air-quality work group appointed by the Ministry of Internal Affairs. It drew up a proposal for the maximum standards of impurities, which the air protection act called for.

"I remained a minority in the work group, because I demanded standards stricter than those the majority was agreeable to. The work group suggested 70 micrograms in a cubic meter of air as the uppermost annual average value of sulfur dioxide. This in spite of the fact that conifers are known to endure only 15-25 micrograms.

"This type of standardization resulted largely from the fact that the work group went along with the report of an earlier air-quality committee. At that time nothing was yet known about acid rains."

In Satu Huttunen's opinion hesitation is harmful, because the pollutant discharges have to be reduced in time. "If we take measures only after the disease is visible, the trees can no longer be saved. The disease progresses like an avalanche."

Quick measures should be instituted, in Docent Huttunen's opinion, especially in the badly burdened areas of South Finland.

In Finland the damage caused by acid rain has been limited, for the time being, to large cities and industrial centers, but the effects are also felt elsewhere, even as far away as Lapland. Thus the "injury borderline" is placed at half a gram of sulfur per square meter in a year.

With sludge bed combustion sulfur-dioxide emissions of power plants can be reduced to a fraction of the current amount. Devices have already been sold to the United States, among other places.

Docent Huttunen does not accept the idea that nuclear energy would offer a solution to the problems of acid rain. It is her opinion that the correct path is restraint of energy consumption.

"In place of growth in energy use and economic growth in general, alternatives should be offered which are based on new technology, energy conservation and a completely new way of thinking."

She also points out that the currently practiced "hard" forest management is exerting its influence in the same direction as acidification. In forest management one should resort to softer methods, too.

Growth Retardation Predicted

Helsinki HELSINGIN SANOMAT in Finnish 31 Jan 84 p 13

Unsigned article: "Pollutant Emissions Threaten Growth of Finland's Forests; Helsinki University Studied Air Impurities"

Text The growth of Finland's forests has picked up speed in the 1900s because of an increase in the atmosphere's carbon dioxide and nitrogen fallout. But forest growth threatens to abate sharply in the next decade unless we put a stop to pollutant emissions, says a group of researchers at the University of Helsinki.

At the Institutes of Physics and Forest management the influence on forest growth of air impurities coming from energy production in the years 1979-83 is being investigated. The research is being done with funding from the Ministry of Trade and Industry.

Forest growth in the future will obviously be regulated mostly by how much so-called acid rain is allowed to effect the soil. However, acidification depends a lot on the characteristics of the soil and may vary considerably from one place to the next.

Barren Heaths Especially Sensitive

The researchers estimate ~~that~~ our forests will be growing best in the year 1990 or thereabouts. Growth will slow down rapidly after that.

A study was made on dry pine barrens, which are more sensitive than other forest types to changes in air quality. All investigated forests were far from pollutant sources.

There are about 6 million hectares of pine barrens in Finland. The entire wooded area is 20 million hectares.

In one partial study light was thrown upon the changes in composition of needles dating from 1959 to 1982 from different parts of Finland. In these tests the investigators were allowed to use needle samples of the forestry research institute.

By means of various tests they studied the effect of, among other things, sulfur dioxide on plant assimilation, acid-rain changes in the soil, and the effects of soil poisons on trees. In addition research was done on the annual rings of 80-to-300-year-old pines.

The researchers themselves admit that the results of the tests are not in all respects sufficient for tenable conclusions. Further studies are needed, but the results already obtained give a clear direction for action: the emissions have to be held in check.

"Complete Changes in Nature Begun"

In connection with the publication of the final report a seminar, in which about ten researchers, officials, industry representatives and others interested in forests and the atmosphere participated, was arranged in Helsinki on Monday.

The emissions of energy production and industry have set off in nature an evolution toward complete change. Although the information base is weak, we have to try soon to influence the evolution with decisions, said Pertti Hari, doctor of earth science and forestry, who belonged to the study's directive group.

"The discussion of Finland's sulfur policy has just begun, but we ought to get to the prevention of acidification within a year or two," said section manager Antti Kulmala from the Meteorology Institute.

For his part Erkki Jatila, director-in-chief of the Meteorology Institute, considered the carbon dioxide problem even more serious than the sulfur problem.

Regulations Criticized as Too Loose

Helsinki HELSINGIN SANOMAT in Finnish 16 Jan 84 p 13

Unsigned article: "Oulu Mock Court's Views on Sunday: Loopholes in Air Protection Law, Directives Too Lax"

Text Oulu--Many defects were found in the air protection law, and its directives were considered too lax at the mock--"reeking smoke"--court held in Oulu on Sunday. Expert witness Satu Huttunen wanted the accused, Environment Minister Matti Ahde, to give numerical guidelines for hydrogen sulfide and hydrogen fluoride as well. In addition Huttunen claimed that emissions standards should be given to individual establishments.

Huttunen testified that several substances were missing from the list of harmful substances. Hydrogen sulfide, about whose injurious effects there are already studies, should absolutely be added to it, in her opinion.

Hydrogen fluoride is, according to Huttunen, the first air pollutant on which studies have been made. Without question it brings about the death of trees.

Right now the Environment Ministry is planning numerical guidelines for how many injurious substances may appear in the air. In Huttunen's opinion advance knowledge relates that the numerical guidelines remain too lax. They ought to be tightened. In her view they are now at Europe's average level, but soon they will be irreparably lenient. Elsewhere numerical guidelines were determined about ten years ago, and now they are being made more rigid in several countries.

The mock court called Docent Huttunen to testify as a meritorious researcher. She has shed light on the effect of pollutants on tree growth.

Announcements Soon on Establishments' Emissions

Environment Minister Matti Ahde defended himself before the five hundred members of the court by noting that there are not enough studies on the effects of hydrogen sulfide and hydrogen fluoride. In addition Ahde pointed out that very few establishments spread these pollutants.

Matti Ahde said that he will place curbs on pollution by individual establishments. At the beginning of April 1,300 industrial plants will find themselves keeping officials informed of their emissions. Ahde promised that the Ministry will emphatically initiate studies in the future to clarify the effect of air pollutants.

The effects of various compounds on the health of human beings were also discussed in the mock court. There is uncertainty about the effects of the compounds, and not even the experts are able to say anything about the joint effects of pollutants on health, for example.

The coming of the new air protection law impaired the operational possibilities of the city's surveillance officials, complained one of the accused, Oulu city hygienist Aatos Oksanen. Surveillance of the large establishments has moved upward to the county government. Earlier a trustee organ might take a stand on the matter. Now civil servants handle it.

Oulu's Emissions to Neighboring Municipalities

As the audience disputed the air pollutants, it transpired that the air in Oulu is improving. Defendant Esa Rousu, director of Kemira, Inc., inadvertently mentioned, namely, that the nearby municipalities are getting their fertilizers free. Terho Kaijansaari, director of the energy institute responsible for the peat power plant, also acknowledged--without being pressured--that the power plant's emissions are going to the residents of nearby municipalities. As a reciprocal service Kaijansaari offered them bargain heat and energy for purchase.

In addition to twigs, the expert witnesses, the experts as well as Environment Minister Matti Ahde gave roses to Kemira, Inc., which for a year has used the sludge-layer technique in its energy production. With the method emissions of nitrogen oxides have dropped considerably.

Ahde also pointed out that air protection does not need to cause unemployment, but rather can bring in jobs when the metal industry builds new devices.

Light Sentences for the Accused

This time all the accused got off with extremely light sentences. The court obliged Ahde to collect a hundred lichen samples for research from the area of the city and Matti Ruokola, director-in-chief of the Central Medical Board,

to go for a walk on Friday evenings in the center of city in freezing weather with west wind blowing.

The court obliged Esko Raatikainen, head of the county environmental protection office, to train county "sniffers," and it required hygienist Aatos Oksanen to eat food made from mushrooms picked from the city's parks for a week.

The court ordered the presidents of industrial plants to spend their recreation days in turn in different factory areas. The energy institute was enjoined to establish a laundry section beside the peat power plant.

The court ordered Mr Oulu Resident to learn to work on behalf of clean air and, if necessary, to make use of a physician's help.

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